

Michael mpson-Noel

abduct UK Royal

Three Royal Navy officers were finally returned to their ship after French fishermen abducted them as they boarded a French trawler in British

waters. The French vessel ignored orders to make for the UK's Channel Islands and beaded for the

Prench port of Cherbourg with the officers on board. In a separate incident, French fishermen in Cherbourg seized a Royal Navy patrol boat, HMS Blazer, buring its white ensign flag.

Bosnian ceasefire holds: A reasefire from

noon yesterday, agreed by Bosnia's three warring parties, appeared to be holding, as a long-delayed

United Nations relief convoy reached the besieged eastern town of Srebrenica, where 60,000 people

IBM's competitors moved swiftly over the weekend to capitalise on uncertainty created inside and

News Corporation seeks \$3bn loan: Rupert

revolving loan from a group of international banks, to help refinance outstanding debts at lower inter-est rates. Separately, Mr Murdoch is expected

IBM rivals throw doubts on Gerstner:

outside the world's largest computer maker by

the appointment as chief executive of Mr Louis

Murdoch's News Corporation is seeking a \$3bn

today formally to propose in a New York bank-

ruptcy court to take control of tabloid newspaper

European Monetary System: The French franc remains at the bottom of the exchange rate

central Ecu rate is -64 percentage points compared

mechanism's grid but its divergence from its

to around -70 last Monday. The Belgian franc is now neck and neck with the D-Mark in the

rency had fallen below the D-Mark, following

the resignation of the Belgian government.

The chart shows the member currencies of the exchange rate mechanism measured against the

weakest currency in the EMS's narrow 2.25 per

cent fluctuation band. In practice, currencies in

the narrow band cannot rise more than 2.25 per

cent from the weakest currency in that part of the system. The Soonish peseig and Portuguese

escudo operate with 6 per cent fluctuation bands.

US defence moves delayed: The Clinton

administration has postponed all big decisions

programmes until it has fluished a "bottom-up

Threat to new UK rail terminal: A £130m (\$184m) international rail terminal being built

at London's Waterloo station, the UK's biggest station project since the last century, could become

obsolete six years after opening if the Channel

irish rally calls for peace: About 15,000 Irish

demonstrators, led by a Dublin woman, held an

emotional rally in protest at the IRA killing of

two ehildren in a bomb hlast in England. A small

Republican counter-demonstration before the

Trade talks seek to avert US sanctions:

Senior US and European Community trade officials

hold critical talks in Brussels today aimed at

averting US sanctions over EC government pur-

Page 14; Growth in world trade speeds up after

three years, Page 6: Trade apostle with his eye

Nigeria elections candidates emerge:

Two millionaire businessmen close to military leader Ibrahim Babangida looked set to emerge

Glaxo, Europe's biggest drugs company, has agreed to demands by the US Food and Drug

claims about its ulcer treatment drug Zantac.

passengers were killed and more than 120 injured

when an express train left the rails and turned

PLO delays decision: The Palestinians are to defer a decision on whether to attend the next

round of Middle East peace talks. PLO chairman

Yassir Arafat said the issue would be decided

over in South Korea

on April 8. Page 3

Administration that it withdraws some promotional

as presidential candidates in Nigerian elections

chasing policies, and at restoring momentum

to stalled talks on global trade liberalisation.

protest rally was boosed off.

tunnel rail link is built as planned. Page 14

on military force structure and defence equipment

review of defence needs and programmes". Page 6

grid. In the middle of last week, the Belgian cur-

March 26, 1993

Gerstner, who has no computer industry

are desperate for aid. Page 14

experience. Page 15

The New York Post, Page 15

EMS: Grid

Irlah Punt

Guildet"

B.Franc

U-Mark

Escudo

D. Krone

**Navy officers** 

A NEW look based thinking an amed of the based thinking opened for beauties week. I will well, for see at ing and rate solutions if we are and apathy that are far more chemisters hemisphere. I will ago - hall at they are all extends for prosperit, and our land more for the based of the property in the sentence. Working like the definition out and more prosperit. working like the hiting for prospers, to out and many hit is to the lourist, the billion and seed and carrying on the equator single and depression cular, I hope that is at Demos take and ery institutions for ing to power in the

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**NDSAWS** 

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rat shahm and the THE PARTY OF THE PARTY. Constituted to finding der in the second The state of the first of the f

This dealers with the control of the European software body planned: A group of leading computer companies and their customers are seeking to improve Europe's competitiveness through a new research institute in Bilbao. Page 2 Diamond exchange: The first diamond exchange in Eastern Europe opened in Prague, with organisers saying they hoped it would bring trade with diamonds in the Czech Republic under









# FINANCIAL TIMES

French fishermen | President strengthens his position after deputies reject compromise

# **Ballot** to impeach Yeltsin fails in Congress

MR Boris Yeltsin, the Russian president, yesterday survived a vote on his impeachment by the Congress of Peoples' Deputies. His rival, Mr Ruslan Khasbulatov, the parliamentary speaker, survived a simultaneous vote of no confidence.

in a secret ballot, deputies cast 617 votes in favour of impeaching Mr Yeltsin, well short of the 689 required to remove him from

.It said about 400 members voted to oust Mr Khasbulatov, below the 517 needed for his dis-

The attempt to remove both men was a furious reaction by the Russian parliament to an overnight compromise agreement by the two arch-rivals which would have called early elections and abolished the legislature. The vote against Mr Yeltsin's

impeachment appears to mean that he retains the special powers he declared for himself last week. Under these powers, his decrees and instructions can be challenged only by the Constitutional Court and not by parliament. Mr Yeltsin drew strength yesterday from a rally of about

60,000 supporters, which gathered behind St Basil's Cathedral, just outside the walls of the Kremlin. He addressed them soon after a compromise offer had failed. He said be would "not submit to any decision of the Congress to

The rally, led by Mr Yegor Gaidar, the former prime minister, Mr Genady Burbulls, the former presidential alde and others, heard Mr Gavril Popov, leader of the Movement for Democratic Reform, say that "we're living badly because we're conducting the reforms badly. They're trying to turn out the president because he wants to deepen the reforms -

PAGE 5

troughs of Congress G7's reluctant convert to

but the people won't let them".

sin and Mr Khasbulatov,

the past few days, finally aroused the ire of the deputies who according to one - had "grown plain sick of him".

• The president and the parliament are now more bitterly opposed than ever. Desrived of the opportunity to impeach himby parliamentary means, hard-

M Yeltzin rides the peaks and

Russia's cause

A rival gathering of some 10,000 nationalists and communists rallied on the Manezh Square to hear a succession of calls for the impeachment of the president. In contrast to the pro-Yaltsin rally, this was beavily policed, with mounted militia. armoured cars and water cannons ringing the relatively small

It is the first Congress for over a year from which Mr Yeltsin has emerged strengthened, with no muddled compromise constraining his actions. However, on Saturday he had used his promised plebiscite on trust in the president on April 25, which he had represented as a critical opportunity to listen to the voices of the people, as a bargaining chip: he offered to cancel the plebiscitein exchange for an election in November for the president and a

new two-tier parliament, credits and increasing unemploy.

However, deputies rejected this ment - will weaken his still compromise agree between Mr infressive popularity and give

The speaker, who had made Several dangerous elements



Survivor: Boris Yeltsin cleaches his hands in anticipation of triumph in yesterday's impeachment vote

line opponents will be tempted increasingly to turn to extra-parliamentary protest. The Congress passed a

tion taking control of TV and radio into its hands, by demanding the right to appoint supervising committees over all the stations with the right of appointment of the chairmen and of interference in programmes. Mr Yeltsin'a main argument for his actions, underscored on Saturday by Mr Chernomyrdin, is the "catastrophic" state of the economy and the need for rapid action. However, these actions - such as stemming the flow of

Yeltsin. Mr Khasbulatov and Mr cextra support to his opponents. Victor Chernomyrdin, the prime • The president will be tempted, minister - and then proceeded to in the period to the April 26 plebivote themselves the right to hale acite, to pass measures which lot on the future of both Mr Yelt- will increase support in him by paying out extra benefits.

Jurek Martin, US Editor, adds several dramatic turnsbouts over from Washington: Mr Warren Christopher, the US secretary of state, yesterday said the US would be "very steady" in its support of reform in Russia, of which "by far the best exponent is Boris Yeltsin".

Interviewed on TV as the Russian parliament voted on the impeachment motion, he said Mr. Yeltsin was right to have called a

# Yeltsin supporters say no compromise

THEY ALL showed up yesterday: the time of compromises is over the destitute pensioners, the flashy entrepreneurs, the impoverished intellectuals and professionals and the manual workers, writes Leyla Boulton in Moscow, Just as he was offering to give

up the referendum be had called for April 25, President Boris Veltain's supporters turned out in their biggest numbers since the August 1991 coup to arge him to step compromising with his conservative opponents.

"Knough Compromises with Communist Criminals," said a benner attacking the parliament. There were also attacks on its speaker, Mr Rushin Khasbulatov, who was likemed to Stalin and urged to return to Chechnya, the rebellious southern region which has declared independence from Russia and recalled him as its

But by the time tens of thousands marched from the town centre to the gates of the Kremlin, the congress vote to reject any compromise with the Bus-sian leader gave him no choice but to swear to the rally "that after he was publicly challenged by Ms Elena Bonner, the 70-yearold widow of human rights leader Andrei Sakharov.

Mr Yegor Galdar, the former prime minister who launched the market reforms now under attack from conservatives for impoverishing the people, drew some of the loudest applause, "We may eat only bread, but

we must be free of these Commu nists who choked Russia for 70 years," said Klava, a retired metalworker and one of the millions of pensioners whose living standards have been ravaged by the reforms. "We won't die, we will survive."

and portable lavatories provided by the Moscow mayor's office, the lightly policed event was in stark contrast to another demonstration in Red Square. There. some 300 baton-wielding police hemmed in a demonstration of a few thousand Communists and extreme nationalists who have found common ground.

# French right wins election landslide

By David Buchen in Paris

THE sweeping victory of France's conservative parties was last night confirmed in exit polls, which predicted they had woo all but around 100 out of the 577 National Assembly seats in yes-terday's run-off election.

Within the victorious coalition, the Gaullist RPR party won more seats than its UDF partner, mak-ing it highly likely that President François Mitterrand will choose the new prime minister from within the RPR's ranks.

Mr Jacques Chirac, the RPR leader, whose main ambition is to succeed Mr Mitterrand in the presidency in 1995, indicated that he did not expect to be the new

The naw government would have "all my support", he said. Mr Chirac's preferred candidate for the premiership is Mr Edouard Balladur, the RPR finance minister in the conservatives's first cohabitation government under President Mitterrand

Early exit polls gave the Socialists 68 or slightly more seats, compared to the 277 which they and their minor alies had held in the last parliament. The Socialist rout was dramatically underscored by the defeat of Mr Michel Rocard, who had hoped to be the Socialist standard-bearer in the 1995 presidential contest. Another Socialist heavyweight

to fall last night was Mr Roland Dumas, foreign minister, who falled to keep his Dordogne seat.

The turn-out appeared to be no higher than the 68.9 per cent in last week's first round of voting. The ontgoing Socialist government thus failed in its call on left-wing voters and abstention-ists to rally behind it to limit the size of the centre-right landslide.

Under the French parliamen-tary system, in which 58 votes are needed to to launch censure motions against the government, the Socialist may barely survive as an effective opposition. But they will get support from the Communists who appeared to have kept 20 of their seats.

Tha extreme right-wing National Front seemed to have won only a couple of seats, and its leader, Mr Jean-Marie Le Pen, lost his bid for a seat.

> Background, Page 2 Editorial comment, Page 13

# Fresh probe into Mafia links of Italian politicians

FIVE political bosses in Naples were warned yesterday that they were under investigation for alleged association with the city's organised crime families, the

This follows the move by Palermo magistrates over the weekend advising Mr Giulio Andreottl, the veteran Christian Democrat politician who has served seven times as prime minister, that he is under investigation for allegedly consorting with the Sicilian Matia. These latest moves confirmed

the shadowy links between the Mafia and the political establishment have become a central issue n Italy's corruption scandals. Mr Andreotti, 74, and now a life senator, is the most senior political figure to have received such a warning. He released the news and proceeded to defend himself.

Parliament has been sent a dossier concerning Mr Andreotti running to over 200 pages, and this will form the basis of whether hia parliamentary immunity will be waived.

As Italy's post-war political establishment has been progressively incapacitated by more than a year's investigations into corruption in the north of the country, the politicians' long suspected links with organised been touched.

Naples magistrates have begun

to act after years of inactivity or investigations which were deliberately buried. Within the past 48 hours, 18 members of partiament and Euro-MPs have been wanted they are under investigation for alleged corruption and half the city council has been arrestail: All the Naples political besses have been caught in the net, and the magistrates are now follow-ing even more potentially explo-sive leads of their alleged finks

with the local Mafia.

These served notice ye are already involved in investiga tions for commution. The most notable are two former Christian Antonio Gava and Mr Paela Cir-ino Pomicino: Last bight Mr Gava, a feather interior minister, resigned as leader of the Christian Democrat group in the sen-ate and his seat on the loant pin-liamantary commission for constitutional reform. Both he

and My Pomicino, a segmentinance minister, denied any finance minister, denied any involvement with the Mafia, According to leaks from Palermo magistrates, they wish to question Mr Andrectti over his connections with Mr Salvetore Lima, the Christian Democrat Euro MP pino was assessment by the Mafia last March, Mr Lima, the most powerful politicians.

crime in the south have scarcely cian in Sicily, was a close friend of Mr Andreotti and was widely idered to have acted as an

intermediary with Rome. Investigations into Mr Lima's death and the subsequent assas-sination of the two leading anti-Mata magistrates, Mr Giovanni Falcone and Mr Paolo Borsellino, he behind the magistrates' move on Mr Andreotti. His alleged mediation with the Mafia has been referred to by at least three and perhaps six former members of Sicilian class who are now cooperating under plea bargaining programmes. Mr Andreotti claimed that these confessions were nothing more than a vendetta for having initiated under his premiership a drive against

Mr Andreotti has been in government since 1946 and has held every office of state except the ency. He has been named in 26 different parliamentary inquiries over the years. But he has proved a remarkable survivor and he has maintained his reputation until the Lima affair despita a triendship with Mr Michele Sindona, the disgraced banker, and Mr Licio Gelli, the grand master of the secret

masonic lodge, P2. In recent weeks Mr Andreotti has seen all his key supporters become caught up in corruption

Continued on Page 14

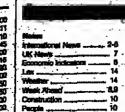
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# Chirac's party in strong position to dictate terms

MR Jacques Chirac's Gaullist RPR party was last night on course to become the higgest single force in the new French parliament, according to early exit polls by the Sofres market research consul-

The Sofres polls, which were conducted before the end of the second round of voting in Paris but which are generally regarded as reliable indicators, suggested that the RPR would emerge with 253 of the 577 seats in the National Assembly, com-fortably ahead of the UDF, its main partoer in the conservative coalition, with 214

This leaves the RPR in an extremely strong bargaining position when it comes to the choice of prime minister, who is selected by the French president but who traditionally comes from the largest party in the National Assembly, and also in the allocation of ministerial posts.

Mr Chirac, who was prime minister in the last cohabitation government from 1986 to 1988, has made it clear that he does not want the job again, saying that the thought "sends shivers down my spine".

The RPR leader, who is now favourite to win the 1995 presidential elections, does not want to risk a repetition of the embarrassing, humiliating clashes with Socialist President François Mitterrand, which he believes cost him the 1988 presidential

However Mr Chirac is keen for an RPR candidate to be chosen as prime minister, preferably Mr Edouard Balladur, a mildmannered man who served as finance minister in the last conservative government.

Last week Mr Mitterrand threatened to choose a premier from outside the RPR if Mr Chirac persisted in his calls for the president's resignation.

Mr Mitterrand is in principle still free to look outside the RPR for his prime minister, but the scale of the Gaullists' lead over the UDF makes it considerably less likely that be will do so.

The RPR's ascendancy should also help Mr Chirac in his bargaining with the UDF over cabinet posts, thereby having impor-tant implications for the future of French policy.

There are significant splits between the two conservative parties on important areas of policy, notably in foreign affairs, where the Gaullists are far less enthusiastic than the UDF about continuing France's close monetary links with Germany and much more aggressive about sabotaging last summer's European community agricultural reforms.

However the RPR'e room for manoeuvre will be restricted by the influence of Presi-dent Mitterrand who has the right to veto cabinet appointments and who will be particularly anxious to establish his own anthority, as head of state, over foreign

But there is little that the president, or even Mr Chirac, can do to muffle the rogue voices in the Gaullist camp, notably those of Mr Charles Pasqua and Mr Philippe Séguin, who led the anti-Maastricht campaign in last autumn's referendum and have since argued forcefully for the devaluation of the tranc.

Their party's success may make the RPR rogues even more confident about raising

# Franc's defence dictates need for new relationship with Germany

David Buchan examines plans to

well as domestic, policy will be maintaining the franc's parity with the D. Mark, as the only ASSEMBLEE achievement which still NATIONALE holds the door open to Elections '93 eventual European monetary and political union.

But that does not mean France's external policy will be unchanged. Indeed, it is precisely to maintain the departing Socialist government's strong currency stance - at a time of wide reces-

sion in Europe and record real interest rates at home - that France's new centreright governors want a new relationship with Germany. All that is mentioned in the joint RPR and UDF manifesto is the need for a "new

initiative" with Germany in the monetary field. But this is just one - though the most important - element of a package deal, including a more aggressive European commercial stance and recognition of Germany's greater geo-political status, which the new government seems to want to present to Germany.

If the government can get Germany to agree, it believes that President François Mitterrand will have no cause to try to exercise his prerogative in foreign policy. If the Germans balk, and if an EC crisis erupts, then France's new government may well face trouble from its president and from ahroad

The new initiative towards Germany, says an adviser to Mr Edouard Balladur, the preferred RPR candidate for prime minister, "will not be the caricature" often presented by conservative politicians or by the French employers' federation; France's new prime minister will not dash across the Rhine to deliver an ultimatum that Bonn and Frankfurt must somehow find a way to reduce German interest rates by a set percentage by a set date.

NATIONALE

new French conservative ernment will take "France's first opportugovernment's foreign, as nity since the fall of the Berlin Wall to discuss a new relationship with Germany calmly" in an atmosphere unencumbered by the long Maastricht treaty negotiations. This would involve getting the Germans to acknowledge that with their goal of integrating the eastern Länder into the federal republic taking priority over all else, they no longer provide the model of 'balanced growth" for Europe to alm at; that France is now a better approximation of this model; and that, at the very least, Germany must share its anchor position in the European monetary system with

What does this "sharing" mean? The

nario changes to one in which Germany would join France and some other countries in announcing a new monetary union

So, within its first two months, the new government would like some public show of monetary co-operation from Germany. Narrowing the franc/D-Mark fluctuation hands in the EMS is mentioned in Paris, but the Bundesbank might object that such a move would make its intervention in support of the franc more predictable, and therefore harder to wrong-foot specu-

But it seems likely that Paris will expect

### some early gesture from Germany to reciprocate its promise to create an identikit Bundesbank by giving the Banque de

# maintain a strong currency stance

answers here are a bit vague. It does oot seem to mean the German government making any precise promise on interest rate cuts, which only the Bundesbank can deliver on RPR advisers believe France has a margin of manoeuvre to lower its interest rates in the coming months, because its short-term rates are a couple of points above German ooes, because French inflation is half the German rate of price increases, and because German short-term rates will probably come down another 1-2 percentage points in the next

What the new government absolutely does not want to do is to have to respond to some short-term speculative crisis by raising French rates. RPR advisers see the run-up to Denmark's second Maastricht referendum on May 18 as one such danger point, even if, as expected, the Danes ratify the treaty. If Denmark votes the treaty down, making subsequent UK ratification improbable or irrelevant, then the sceFrance autonomy in monetary policy-set-

The new government's persuasive powers may be taxed even harder on trade. But France's conservatives have campaigned themselves to victory on complaints that the European Commission, passively aided and abetted by the outgoing French Socialist government, has been dangerously derelict in its duty to protect not only agriculture but also industry from unfair international competition.

Europe is being asked to open np too fast on too many fronts, goes the conservatives' argument in Paris. If Germany wants freer trade with eastern Europe, then it must join France in ensuring the EC takes a tougher line in Gatt negotiations.

In return for changing tack on monetary and commercial policy, the new French government will support Germany's case for a permanent seat on the UN Security Council. Mr Alain Juppé, the RPR secforeign minister, has been quite explicit about playing this political card.

· Pl.O puts

Will Germany buy such a deal? Mr Klaus Kinkel, German foreign minister, has suggested in French minds that it would. The minister has been as keen in public to welcome an eventual Security Council seat for his country as he has been overtly impatient about French obstructionism in Gatt. But another senior German minister has retorted recently that there could be "no deal" on this basis, and that most Germans are not interested in Security Council prestige to compromise on their basic economic inter-

France's Gaullist politicians may therefore be deluding themselves into reading into German minds their own reactions to Security Council status.

If the new government can plausibly show some success in its "new initiative" towards Germany, then it may find it easier to soft-pedal on agricultural policy. France will continue to oppose the draft EC-US deal on farm trade; the incoming conservatives are just angry that the out-going Socialists have left it to them to possibly wield France's veto. But Mr Jean-Plerre Soisson, the departing farm minister, has shown them it is possible to use guerrilla tactics in Brusseis to adapt last year's reform of EC farm policy more to French interests, instead of trying to rip the reform up.

in defence policy, the new government will probably continue to edge France nearer to operational co-operation with Nato. Mr Jacques Chirac, the RPR leader, is clearly persuaded that with a less US dominated alliance, there can be a place for France.

But the Socialists have left one political trap for the new government, hy suspending nuclear weapons tests. Resuming such tests - if the US and Russia continue their own test bans - could prove explosive, in

# Mitterrand keen to make mark on the new team

By Alice Rawsthorn

ONCE the final tally of votes in yesterday's parliamentary election is proclaimed this morning, France will move on to the other issues which will determine its political fortunes for the next two years - the choice of the prime minister and the cabinet.

The conservatives' victory has been regarded as a forethat President François Mitterrand has had plenty of time to mull over the various contenders for the premiership. in theory he has a free choice, but in practice he must choose a candidate who can command e

majority in parliament. The first step towards announcement of the new French premier will be the resignation of Mr Pierre Bérégovoy, the present incumbent. He is expected this morning to go to the Elysee Palace to tender his resignation personally to

Mr Mitterrand has traditionally tended to disclose the name of the new prime minister later on the same day; he did so in 1986 at the start of the last cohobitation government, wben be announced in the evening his choice of Mr Jacques Chirac, head of the Gaullist RPR party.

The president has an empty agenda today. But he may wish to delay announcing any deci-sion either because be is genu-

ONE of the earliest casualties of the Socialists' defeat last

night was Mr Roland Dumas,

the veteran foreign minister, who lost his seat at Sarlat in

the Dordogne to Mr Jean-Jac-

ques de Peretti, the local Gaull-

The loss of his constituency

brings Mr Dumas, 70, to the

end of a long political career in

which he has been as influen-

tial in his personal role as a

confidant of President François

Mitterrand as in his profes-

Mr Dumas spent his early

career in journalism but went

into politics in the late 1950s.

He served as minister of Euro-

pean affairs during the first

Mitterrand government from

1981 to 1983, moving on to

external relations until 1986

and becoming foreign minister

when the Socialists returned to

The Foreign Ministry has

traditionally been something of

a poisoned chalice in French

politics, given that the presi-

dent is generally active in for-eign affairs. Mr Mitterrand has

been no exception. But Mr Dumas.

power in 1988.

sional ministerial posts.

ist mayor.

Foreign minister

is early casualty

inely undecided or because. characteristically, he wants to keep the conservatives on tenterhooks. The only constraint is that he must appoint a premier in time for the first session of the National Assembly on Friday, which means he has to make his choice by Wednes-

day evening at the latest. The next step will be the selection of the new cabinet. which must also be approved by Mr Mitterrand. The president objected in 1986 to Mr Chirac's suggested candidates for foreign affairs and defence. The president is almost cer-

tain to object to at least one of the new prime minister's suggestions this time, if only because he will consider it critical that he exerts his influence as quickly as possible over the new cohabitation gov-He will also be anxious to

use his power over the choice of cabinet members to exploit any potential rifts between the conservative parties. The next important date is

Friday, when the new National Assembly will meet for the first time and appoint its next president to replace the Socialist Mr Henri Emmanuelli. The constitution stipulates that new parliaments must begin either on October 2 or April 2, to avoid the ignominy of a new French government starting on April Fool's Day, or jour de poisson as it is called in France.

Dumas managed to carve out a role for himself, thanks partly

to his close relationship with

the president but also to his

own expertise, particularly in

Mr Dumas has long beeo

seen in France as a bon viveur.

The press frequently refers to

him (generally approvingly) as

a grand bourgeois.
But the raffish side of his

nature became a distinct disad-

vantage in the parliamentary

been dogged by a blaze of pub-

licity over his friendship with

Ms Nahed Ojjeh, daughter of Mr Mustapha Tlass, the Syrian

defence minister, and by the

revelation that her family paid

for a new 11m scanner at a

Mr Dumas does at least have

the consolation that his links

with Mr Mitterrand seem to be

intact. When the president last

week came under pressure

from the Gaullists to resign, he

turned to two trusty Socialists

to communicate his views. One

was Mr Pierre Bérégovoy, the

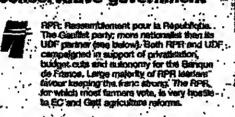
prime minister, the other was his old cbum, Mr Roland

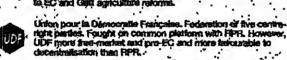
Sarlat hospital.

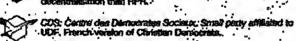
His bid for re-election has

oriental studies.

### Jockeying for power in a conservative government







Pasqua Aged 65. RPR Idealer in the

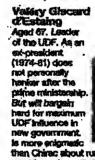
Senate This tonsor drinks :



again, is already effectively remains for the presidency to succeed Millemand in 1965, and wants to place dovernment in hands of his trusty sectament, Edouard Salischir.



 $\sim$ 



as more engrenance than Chines about running for the presidency but will do so if he thinks he has a chance. Has a reciprocated distinct of Chines.



runetary union and a strong hand as the best way to get them. Turned down Mitterrand's

of the small COS.

Her been minister

of agriculture (1977-81) and would like to be

finence minister. Fact that he is

less well qualified then Alphandéry

Belladur, who wants to exert close

influence on finance. Big role for CDS would help neutralise

temptation for centrists to firt with Socialist contenders - like Michel Rocard or Jacques Delors - in the

1995 presidential race.

Edmond Alphandery

But may have too many of his o ideas about finance to aut Balladur.

# Etiouend Balladur Aged 63. Former finance minister in the second Chirac

the APR's frontminister. His political

Aged 47, RPR

Secretary-general. Very close to

his deputies as

mayor of Paris.

get out from

and could do

Very close to Chirac and one of

Would now like to

Has been budget

minister (1986-68)

another economics job. But tendes

a higher profile this time as foreign

minister at the Quai d'Orany.

would make him the most acceptable RPR premier to the UDF. Has stated publicly he does not want to be potential rivels that he might use premiership as a stepping stone.

Alain Madelin

Aged 47. Senior UDF leader who negotiated, on his party's behalf, ... the PPR But his party or the RPR leadership should be forted



as the only way to control influence on France of Germany's high interest rates. A genuine free-market liberal (a ranty in Franch positios). Was industry ininfester (1988-88) but now ecents resigned to a second-ranking ministry, perhaps labour or transport.

# EC given food for thought over allocating plum jobs The EUROPEAN Court National quotas or merit?

on the common practice at the European Commission of recruiting into its top echeions by national quotas, rather than on merit, as EC rules for

mally require. The landmark ruling has been widely interpreted as a political blow to the Commis-sion, but it has got some senior Brussels officials rubbing their hands with giee.

Far from damaging the Commission, the judgment has pro-vided it with a weapon to resist member states that insist on slotting candidates they choose into plum Bruseels jobs whether or not they are suit-

The Luxembourg court has overruled appointment of an Italian and a Spaniard to senior posts in the fisheries directorate of the Commission, finding that they had been named to nail down slots previously held by compatriots. Two applicants with better creden, tials brought the complaint, and the Conrt found the appointmente were made before the selection process had concluded.

The only shock in this was the sloppiness of the senior Spaniards and Italians in the Commission, and of Medrid and Rome, who had left lots of fingerprints of their premature decision-making. Lobbying for senior Commis-

sion posts is the norm. There is no formal national quota sys-tem as in other international organisations such as the UN. ndeed, the EC rules state that "no posts shall be reserved for nationals of any specific member state".

But the rules also require all EC institutions to recruit "on the broadest possible geographical basis" to maintain a more or less even share-out between

# David Gardner looks at how posts in Brussels are filled

These rules are "mutually contradictory," says a senior official who deals with personnel policy. "We do our best to navigate between them," welcoming the Court's decision as "a useful judgment" to help

the Commission do so. But another official who has jobs in the Commission is more caustic. "We appoint the wrong people, to the wrong jobs, for the wrong reasons."
Political appointments are

accepted and above board in the cabinets of the Commissioners, and at the two highest levels of the A-grade policymaking staff of the Commission. It is also acknowledged practice, though not licit under the rules, that control of the 23 Brussels directorates-general is partly shared out on an informal "national flag" basis.

France has had a lockhold on the agriculture directorate eince the Common Agricultural Policy was set up 30 years ago; financial servicee and transport have been Britisb stamping grounds; and Cer-many has had a long succes-sion of director generals for competition policy.

In spportioning the rest of

the DGs, a lot of log-rolling goes on to give member states roughly the right number and influence, in proportion to their size. Thus it was known in February 1991 that a Spaniard would take over the social policy directorate in October 1992 because Spain was one down oo its quota, having made way for the UK at the transport DG. Belgium, by contrast, was temporarily one up on its quota; the key to the

reshuffle was that there was a Belgian director general at social affairs who was due to

But this sort of musical chairs has spread further down Commission ranks, spreading demoralisation along the way. One reason, made plain in a ment on recruitment of last November, is that "geographical imbalances among applicants are persisting or getting

The Commission chooses from a far smaller pool than national bureaucracies, and in the past five years there has been a sharp rise in applicants from Belgium and Italy and a steep fall in British and Ger-

mong the large member states, the UK has always been underrepresented: whereas France, Italy and Germany all have more than 600 A-grade functionaries, Britain has fewer than 500.

As a latecomer this is partly understandable, and it is also to be expected that a certain amount of manoeuvring goes on to try to redress this and other imbalances - particularly given what one official calls the "clientilist" practices of sucb member states as

Greece and Italy.

The underlying problem is a bopeless imbalance in supply. Of the 93,691 applicants for the 3,459 A-grade posts advertised by competi-tion in 1936-91, the Commission report shows, the UK fielded only 4,983, Denmark only 1,574, against 24,734 from bost

country Belgium, 18,529 from Italy and 10,333 from France. The semi-detached Danes and British, though least interested in applying, bave the best pass rates (5.8 and 3.7 per cent respectively, against, say. 2.8 and 1.6 per cent of successful applicants from Belgium and Italy). Nevertheless, by sheer weight of numbers, Belgium and Italy get between three and six times more people into the top of the Commission than Britain and Den-

Brussels goes after too many specialists, who face exams that a French-style elite school provides better preparation for than more generalist training common in such countries as

Officials say a more rounded approach is now being discussed: to recruit more generalists; give them a broader grounding by passing them through several departments before allocating fixed jobs; and relying more on temporary secondment from national administrations.

This last is partly to circumvent tight restrictions on hir-ing. The Commission is kept small, in relative terms, numbering 14,533 officials at the end of last year, or about the size of the UK agriculture ministry. The EC countries average 322 civil servants per 10,000 inhabitants, against only 0.8 per 10,000 for all EC institu-

tions together. Widening the recruitment pool, plus the precedent set by the Court, should belp the Commission to resist national-ist lobbying, but officials warn that pressures for a carve-up will remain. "Yes, it will help to resist these pressures," says one senior official. "But to go from there to saying we're going to be recruiting entirely

# Software institute plans to exploit Europe's expertise

By Alan Cane

A GROUP of leading computer companies and their customers are seeking to improve Europe's competitiveness by developing, through a new research institute, better ways to write computer software. Establishment of the institute in Bilbao, Spain, will be

announced today. It will focus on software processes and the rules and procedures for writing effective software. The aim, according to Mr George Grunberg of France's

Groupe Bull, acting chairman of the new institute's board, is to exploit Europe's software expertise: "Modern industrial society relies more and more on the availability and quality of software systems of ever-in-creasing size and complexity,"

Difficulties in specifying and writing large software programmes are recognised as a barrier to the greater use of computerisation in business and industry. While a number of blueprints or methodologies for software construction have been created, no universal method of guaranteeing effective software development has

yet been found. The members of the group include Bilbao Bizkaia Kutxa of Spain, British Aerospace, Sema Group, Logica and Lloyds Register of the UK, Groupe Bull and Cap Gemini Sogeti of France, Olivetti and Finsiel of Italy, and Siemens Nixdorf of Germany.

Each bas subscribed Eculio,000 (282,600) to launch tbe project. Membership is open to any company with European operations interested

members would pay significantly less a year than the founders, Mr Grunberg said. but would have access to all the research and results.

A managing director is being sought for the institute, which is expected to begin work in the summer. The institute, which will

operate on a non-profit basis, has the blessing of the Euro-pean Commission although it is wholly an industry-led initiative. It is expected to employ up to 50 software experts when fully staffed.

Bilbao was chosen after a number of European cities had expressed interest in hosting the institute. It has a well developed high technology infrastructure and close links with US academic research in software development.

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STATISTICS. last is partly to our

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# off peace talks decision

By Roger Matthews in Cairo and James Whittington in

THE Palestinians will delay a decision on whether to attend the next round of Middle East peace talks until April 8, Mr Yassir Arafat, chairman of the Palestine Liberation Organisa-Mr Arafat told the Middle East News Agency in Cairo that he would be asking President Hosni Mubarak, the Egyptian leader, to explain the Palestinian position when he meets President Bill Clinton in

Mr Muharak will visit Germany and Britain this week before heading off to the US. On Saturday he held talks in Cairo with President Hafez al-Assad of Syria in an effort to reach a joint Arab response to the American invitation to to put down pro-democracy protests in Tiananmen square just a few hundred metres to resume peace negotiations in Washington on April 20. These days, as winter turns to spring in the Chinese capi-

The foreign ministers of Syria, Jordan, Lebanon, Egypt and the PLO also met in Damascus yesterday to consider the US invitation. How-ever Mr Arafat said the PLO executive committee wanted an opportunity to assess the result of current talks in Washington between members of the Palestinian peace talks delegation and administration officials before reaching a

smooth transition have been vested in a leadership group that includes Mr Li Peng, the The Palestinians have so far declined to accept the US invi-Premier, and Mr Jiang Zemin, the apparently affable Commutation without an assurance from Israel that it will stop nist Party boss, Chairman of the Central Military Commisthe mass deportations of people from the occupied territo-

The demand stemmed from Israel's deportation of 415 Palestinians on December 17, an action condemned by the UN Security Council.

Syria, Lebanon and Jordan are all keen to resume negotiations, but wish to find some compromise solution which will also allow the Palestin-ians to participate. Representatives from all the delegations are expected to meet again in the wake of Mr Mubarak's talks in Washinga trio of leadership positions that will nominally place him

# PLO puts New man ascends a triple throne

RAVELLING west from the vast Tiananmen Square in the heart of Beijing is again engaged in delicate transition from one generation of leaders to the next, writes Tony Walker Beijing along Chang An ("Heavenly Peace") boulevard, you pass on your right huge, studded vermilion gates flanked by a pair of heavy, stone imperial lions.

The masses do not dawdle outside these gates, since they would be waved away by smartly attired honour guards of the People's Liberation Army, who snap to attention as black limousines, their win-dows heavily tinted to hide the

identities of the occupants,

slide back and forth into the traffic, guided by police outrid-

the destiny of one-lifth of mankind is guided and where momentous decisions have

been taken that have literally

rocked the world, including the

order in June 1988 to the army

tal, things appear relatively

calm, although beneath the

surface, unesse persists; not so

much, one suspects, because of lingering animus about the

events of June 4, but because

China is once again engaged in a delicate transition from one

generation of leaders to the

For the moment, hopes of a

sion and now President, or

Not since Mao Zedong domi-

nated state and party institu-tions in the 1950s has one man,

apart from the briefly-anointed

Hua Guofeng (there was no

head of state.

has never been premier, president or party boss: he has not needed titles to assert his

propaganda as the "core" of the leadership, was not even a member of the Standing Committee of the Politburo, the

normal springboard for even higher office, when he was hastily moved from Shanghai, where he was mayor, to Bei-jing in mid-1989, just weeks after the Tanannen massacre. Among his qualifications for the job, apparently, was his lack of direct involvement in His official profile reveals that he was born in August, 1926 in Yanzhou City, Jiangsu Province in eastern China not far from Shanghai. The son of intellectuals (his communist

father Jiang Shangqing is said to have died at the hands of the Kuomintang), Mr Jiang graduated as an engineer from Shanghai's Jiaotong University in 1947, a year after joining the communist party.

After the 1949 revolution,

there followed a series of fairly humdrum jobs, including boss of a foodstuffs factory. One highlight was his posting to the Soviet Union in 1955 to work in the Stalin Automobile Factory in Moscow where he learned a smattering of Rus-

Chinese propaganda makes much of Mr Jiang's linguistic skills (he is also said to be able to speak English and Romanian) and his musical abilities. Thus Xinhua, China's news agency, in a recent profile, peinted a picture of a cultured leader "capable of appreciating literature, arts, music and

painting".

China's new president is married to his childhood sweetheart, Wang Yeping, the former head of a Shanghai engineering research institute. The couple have two sons. There is

at least one grandchild. While seeking to present Mr Jiang as an ayımcular figure worthy of the love and respect of the masses, the Xinhua biography pointedly mentioned, as appointment as vice-president of Mr Rong might be expected of the putative father of the nation, that he is "strict with his children".

Little is known of what fate might have befallen him during that defining moment for many of China's leaders, the Cultural Revolution of 1966-1976; but it seems that he weathered those storms fairly adequately. Mr Jiang, one suspects, has invariably managed to be politically correct, whatever winds might have been blowing at the time.

Kenya denies rift with donors

THE Kenyan government has dismissed claims of a rift with donors and denied allegations of malpractice in the country's banking sector.

"The government is continu-ing the dialogue with the IMP and World Bank and other donors, but on the basis of more rational and sustainable measures," Mr Musalia Muda-vadi, the minister of finance, said in a statement at the

Donors and bankers had xpressed deep concern over the government's decision last Monday to suspend or reverse reform programme. President Daniel arap Moi had earlier accused the IMF and the Bank of forcing "dictatorial and suicidal" measures on the govern-

Last week's decision was "intended to save the economy from collapse, it was not intended to result in a break with the Fund or the Bank," said the minister.

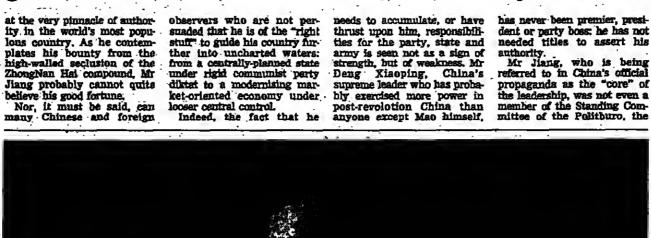
The minister denied allega-tions of fraud in connection with an export compensation

He also rejected reports that certain banks said to have political connections received favoured treatment.

"It is true that a few banks have run overdrafts with the central bank due to liquidity problems resulting from financial liberalisation, adverse publicity and other underlying problems,\* said the minister. But he stressed that the

banks were not insolvent, and had "substantial fixed assets which are in the process of being liquidated to generate liquidity". To deny them over-drafts would have caused "upheavals" in the financial system and "untold suffering to innocent depositors", he

explained.
The running of overdrafts was considered the lesser evil," he added, "especially considering that the banks involved were being restructured to eliminate the need for overdrafts."





Premier Li Peng looks confident as he waits for the start of voting for senior Chinese government posts yesterday. He was reappointed for another five-year term, unopposed.

CHINA'S parliament appointed new state . intended to solidify the leadership group aries to a younger, more technocratic leadership, Tony Walker writes from Bei-

position of president when he The appointment of Mr Jiang Zemin, 67, the general secretary of the Communist served as premier and party boss in the 1970s and early party and chairman of the Central Mill-1980s) had the three roles of tary Commission, to the additional post of head of party, state and milistate president is simed at strengthaning . Thus, the 67-year-old Mr collective leadership in the post-Deng Xiaoping era.

Likewise, the reappointment of Mr Li thous community of its commitment to Peng. 65, to a second five-year term is continue opening its economy with the Jiang at the weekend attained

functionaries at the weekend to smooth in this transition phase.

the transition from old-guard revolution— Mr Deng, China's supreme leader, is 88 and has aged noticeably in the past year

> He has urged Chinese officials to speed economic reform, and has been engaged recently in promoting a younger genera-tion of reformists to preserve his legacy, although doubts persist over the cautious Mr Li's commitment to change. The leadership was clearly intent on

Among other significant appointments was that of Mr Qiao Shi, a member of the Standing Committee of the Polithuro, to the post of chairman of the Standing Committee of the National People's Congress,

China's parliament. Mr Qiao, 69, who is in charge of security matters, is likely to emerge as a key figure in the post-Deng era. His security responsibilities have tended to keep him in the shadows until now.

Yiren, the millionaire head of China Inter-

national Trust and Investment Corpora-

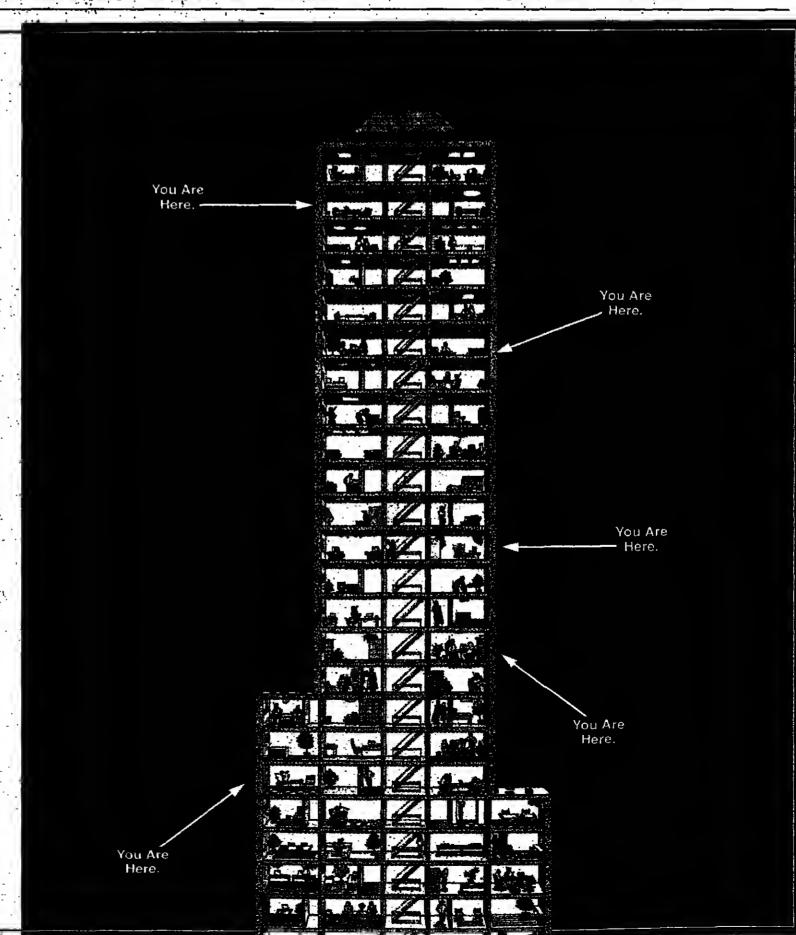
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# Pollution rights go to auction

Laurie Morse in Chicago on a new move to curb SO<sub>2</sub> emissions

THE US Environmental Protection Agency today announces the results of its first public auction of pollution rights, a benchmark in its novel market-based strategy to reduce acid rain.

The agency has doled out emissions permits to 110 of the largest sulphur dioxide (SO.) polluters, most of them coalburning electric utilities, and will allow the companies to trade any permits, or "allowances", they hold in excess of their own requirements to

A utility that has, for examplc, reduced its harmful emissions by installing smokestack "scrubbers", or has switched to low-sulphur coal or natural gas, might recover costs by

selling excess SO, allowances. The 1990 Clean Air Act requires US electric utilities to halve their emissions of sulphur dioxide, the harmful clement in acid rain, by the year in its tougher standards, and the pollution allowance programme, in two phases. The first phase will involve an

WORLDWIDE production of machine

tools fell 19 per cent last year to \$34.6bm

(£24bn), underlining the severity of the

recession in virtually all the main mar-

kets for the metalworking machines on

which manufacturing industry depends.

\$39.4bn to \$31.4bn in the 34 countries

covered by American Machinist in Its

annual survey of the industry. The declines are the worst in the 30 years

since the US magazine started Its sur-

fall of 31.8 per cent in Japanese con-

sumption (36 per cent if measured in

yen), while production has fallen from \$11.6bn to \$8.7bn.

of excess capacity in the car and other

Domestic demand has fallen because

The declines are led by a staggering

Consumption feli 20 per cent from

The second phase, starting in 2000, will require sli SO, poliuters, not just the dirtiest utilities to meet compliance standards, and SO, allowances will be limited to 8.9m tons annuslly, well below the 20m tons currently generated each year in the US.

The programme has been endorsed by both political partles and by environmental groups such as the Environmental Defence Fund, because it provides a cost-effective alternative to "command and control" regulation. Its proponents, including Vice-President Al Gore, believe the SO, experiment will lead to other marketbased ways to control environmental disruption.

Only a small percentage of allocated emissions allowances will be priced and traded at this month's suction, which is being conducted by the Cbicago Board of Trade. The CBoT won the right to administer the auction in a three-way bidding war with the New York Mercantile Exchange and the New York-based financial brokerdealer Cantor Fitzgerald.

All three hope to develop

down 19% as recession bites

still falling this year.

\$3.27bn to \$3.19bn.

rose 2 per cent last year.

World machine tool production

Japan retains its position as top pro-

ducer and user of machine tools, but

place. Even so, German consumption

fell 16.8 per cent in dollar terms and Is

The fallout from reunification, com-

bined with high interest rates caused

by heavy capital transfers to Germany's

eastern states, is discouraging invest-

ment in machine tools in western Ger-

in the US, the world's third largest

producing and consuming market, con-

sumption fell 10.7 per cent but produc-

tion was down only marginally from

Several machine tool builders have

said recently that the US market is

picking up steam, and domestic orders

The few bright spots in the survey

Germany has closed the gap in second

mental rights, though regulatory hurdles have so far limited trading in the SO, allowances. Cantor Fitzgcrald has set up a special division, Environmental Brokerage Services. to create screen-traded forward markets for pollution rights. The SO, allowances will be its first product.

"We see a great opportunity here," says Mr Carlton Bartels, director of the division. "There are two important trends emerging in this country. First, people are demanding a cleaner environment, and second, the government doesn't have sny money to waste. There is great potential in mar-ket-based allocation systems."

he CBoT hopes to develop an electronic spot market in pollution allowances, and later, a futures market. The Nymex, which expects to launch electricity futures some time next year. believes its energy-market constituency will give it a way into the pollution market.

Despite the enthusiasm, utilities are wary of the market lucrative markets in environ- Most are nervous about how public utility commissions, will treat a pollution trade. The state agencies so far have not formulated policies on how SO2 allowances will be accounted for, and if cost savings or profits would pass to shareholders or utility customers.

The utilities are also sensitive to environmental activists. When Long Island Lighting (Lilco), a New York utility whose emissions generally blow out to sea, sold Its SO, allowances to Amax Energy, a coal producer which intends to market the permits with its high-sulpbur coal to midwestern utilities. New York State and an Adirondack mountains environmental group cried

They fear acid rain in New York will worsen under the programme, because it could allow tall midwestern smokestacks upwind to increase SO. emissions. Their objections are not expected to block the programme. However, the case enerated unwelcome publicity

for Lilco. Utilitles participating in

China reported an increase of 20 per

cent in production - from \$1.44hn to \$1.74bn - which took it from 10th to

fifth place, while consumption rose 27

be the result of growth of a market economy in the southern provinces

close to Hong Kong. However, it notes

Chinese production figures are reported

in renminbi, the internal currency and

therefore may be inflated in dollar

In Talwan, domestic consumption

rose 17.6 per cent to \$759.8m. But total

production fell for the first time in liv-

from \$992.2m to \$963.7m.

ng memory, albeit very marginally,

in contrast, both production and

domestic consumption fell sharply last

year in South Korea, where the

machine tool market is in recession and

producers' stocks have been rising.

The rises, says the magazine, seem to

per cent to \$2.31bn.

their main overseers, state remaining anonymous and using CBoT clearing firms to execute their bids. EPA has set aside 50,000 phase one permits and 100,000 phase two permits to sell at the auction. These will be sold to the highest bidder until all are allocated. Each permit represents one ton of sulphur dioxide emissions.

In addition, the GBoT has been commissioned by utility companies to sell 95,000 phase one and 30,000 phase two permits. Those permits will be subject to minimum prices.

The results will provide the first public price discovery for the programme. "Cash trades in allowances have been extremely rare because of the difficulting in establishing a market price for them," says Mr Kenneth Rosenzweig, a partner in the Chicago law firm of Schiff, Hardin and Waite who is advising clients

on the emerging market. Presumably, the permits will be priced below the cost of installing scrubbers, and well below the \$2,000-a-ton fine the

EPA plans to levy on polinters who do not comply with the programme's emissions stan-dards.

# Oil exporters study western energy taxes

OIL exporters are considering practical measures to counter US and European moves to impose energy taxes, including the possibility of an oil export tax, Gulf sources said yesterday, Renter

reports from Dubal. Foreign ministers of the Gulf Co-operation Council (GCC) will consider the western taxes in a meeting on April 4. The taxes will also be high on the agenda of an April 13 meeting in Oman between Opec and non-Opec oil ministers, the sources said.

Analysts believe a co-ordinated response would be difficult to achieve and the GCC, composed of pro-western countries, does not want to trigger a trade war. "They are not in a position to take strong counter-measures that could escalate a trade war or confrontation with their major trading partners, said a Gulf Arab official source.

# Lend to private sector, bank told

A HIGH-LEVEL group established to advise the Inter-American Development Bank on how to strengthen the private sector in Latin America has recommended that the bank lend money directly to private concerns.

There are growing worries that without a shift in bank policy it might be impossible to obtain finance for infrastructure projects, which many Latin governments after a wave of privatisation are now relying on the private sector to build. The World Bank and the IADB are both forbidden from lending with-

ont government guarantee. The group's report, put before the IADB board of governors at the weekend, recommended 5-10 per cent of tha bank's lending could be directed to helping finance pri-vate infrastructure, without government guarantees. Limited sums might also be lent to private sector intermediaries

financing small businesses. The Bush administration in the US last year said the bank should consider lending to the private sector, and the idea is favoured by Chile, Argentina and now Mexico, which previously opposed it. However, European government share-

The group's report also rec-ommended radical restructuring of the InterAmerican Investment Corporation, the offshoot of the bank which lends to and makes equity investment in private projects. The corporation has been given "a mission impossible" and its current structure was "no longer viable". However, it should continue as a separate entity, the report said. The Bush administration suggested the IIC should be

merged with the bank.

• Revador's finance minister, Mr Mario Ribadeneira, met the country's main bank creditors. led by Lloyds of Britain, in negotiations over a debt relief package. Negotiations are expected today over Brazil's debt restructuring and tomorrow over Poland's.

Stephen Fidler reports from the IADB meeting in Hamburg

# Interest rate rise may be threat to Latin America

rates in industrialised countries could have destabilising effects on Latin American economies, the InterAmerican Development Bank says today. The risk arises because of the region's significant reli-

ance on capital inflows drawn by higher interest rates. The possibility for a reduction of external capital inflows in the near and medium term, brought on by the possibility of higher interest rates in industrialised countries, could have

a destabilising effect on the economies of the region," the bank says in its annual report. The prospects for further growth in the region are otherwise encouraging. Nonetheless, economic growth in Latin America slowed from 3.2 per

cent in 1991 to 2.8 per cent in 1992, with the I per cent fall in

A MOVE to higher interest Brazilian gross domestic product last year accounting for much of the slowdown

However, deteriorating trade pushed up the region's current account deficit to \$26.5bn (£18.6bn) last year from \$17bn in 1991. "While a current account deficit of this magnitude is probably not sustainabla over the long term, it is mainly the product of the region's economic recovery and increased capital inflows.

Foreign exchange reserves rose to cover six months of imports, with net transfers of funds into the region, which were negative from 1982 to 1990, rising from a positive \$8bn in 1991 to \$27bn last year. The report emphasised the need for social reforms: "Eco-

nomic and social reforms are mutually reinforcing, ensuring each other's sustainability."

# Argentina to sell state gas wells

THE Argentine government has decided to auction more gas wells belonging to the state-owned oil company YPF, before the company's privatisa-

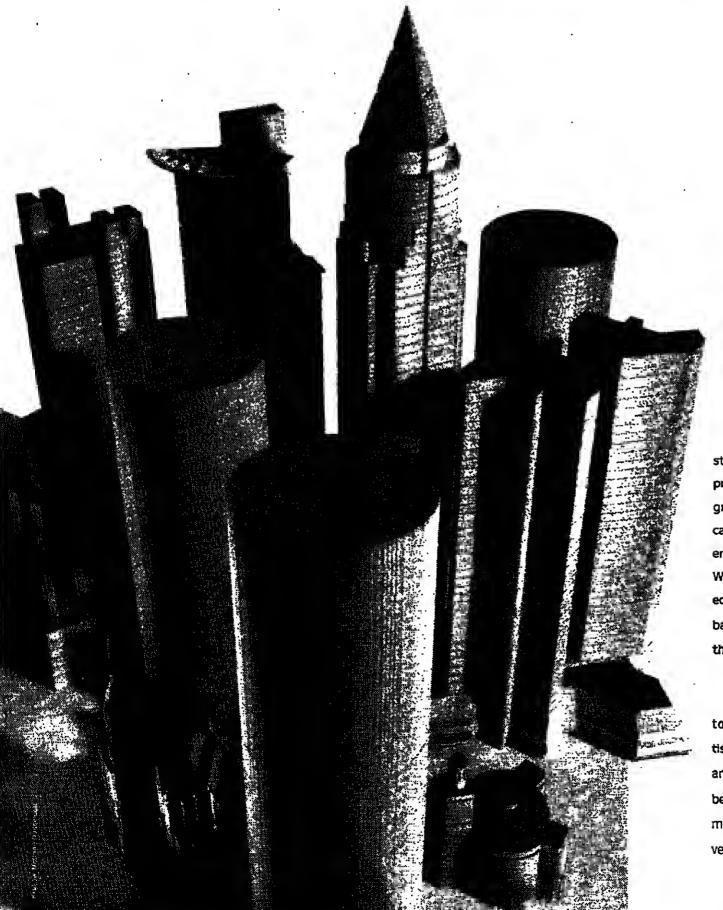
Argentine officials said the sale was in response to concerns that the company, which holds up to 80 per cent of the country's gas reserves, would be able to exploit its virtual monopoly position in gas once it was privatised. The aim would be to reduce its share of

gas reserves to 40 per cent. YPF is the oldest state oil company in the world and its valuation after s radical restructuring - now almost complete - has been put by the government at \$8bn (£5.6bn). Gas pipeline and distribution companies were privatised late last year.

The government has also set a schedule for the sale of the rest of YPF as a single entity. An initial public offering to international and domestic investors is scheduled for the third quarter of this year.

The officials said the government was also studying mechanisms to make sure control of the company was in privatesector hands after the offering, even though the government would remain the largest though possibly a minority shareholder. Possible options included converting the government's remaining shares into non-voting stock, and limlting its representation on the

Crédit Suisse First Boston and Merrill Lynch are likely to be given the mandate to handle the offering.





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he days when smokestacks stood for industrial progress and economic growth are over. Today, we can no longer afford these environmental liabilities. We must now consider the ecological side of the balance sheet as well as the financial.

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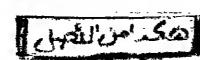
national automobile industry with catalytic converters from production facilities in 7 countries worldwide. In fact, technology and environmentally friendly products such as these represent a major commitment for our researchers. And because the demand for environmental protection shows no sign of abating. it's a commitment that is paying off.

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Communist profesiers size up police near Red Square in Moscow yesterday, amid tight security

impeachment camp of Mr Ruslan Khasbulatov, the parliamentary speaker.

Saturday morning marked the beginning of efforts to find a compromise. A resolution was put forward, allowing the referendum but adding three more questions to the president's original one. These were approval for election of president, for election of the

deputies and approval of the results of economic reform, which the president has consistently supported and which is assumed unpopular. The presi-dent's side let if be known this

Though they had gathered in the expectation of discussing impeachment, the issue had not got on the agenda: a vote confirmed that the necessary

simple majority to discuss it still did not exist. Nor was the resolution on a four-onestion referendum allowed. Later, a

harder line resolution appeared proposing to suspend the president's sides who had persuaded him to appeal to the people on March 20, cancel his special powers, and dismiss his appointed provincial gover-

prime minister, gave heavilyqualified support for his presi-dent, in which he was careful to say that "without the presi-dent we will not be able to carry the heavy burden [of reforms)". But it was also a speech which suggested all sides were equally guilty for the crisis which had overtaken

it made the point that a decree issued by Mr Yeitsin early last week dismissing the chief administrators of Novosibirsk and irkutsk had had to be revoked; and that early elections were inevitable. The most cheered speaker was Mr Aman Tuleev, head of the Kemerovo region, who branded Mr Yeltsin's aides as a "collective Rasputin". But pro-Yeltsin deputies took the floor to defend economic reform and charge the Congress with

unconstitutional behaviour. Mr Yeltsin's appearance before the microphones most harmed him. With slurred diction and long pauses, he said there should be a week of talks between himself, Mr Khasbulatov and Mr Chernomyrdin to try to find consensus. Opponents said he was drunk; his supporters said he was overstrained; his staff that he was suffering from the effects of his mother's death last week, an explanation he later proffered

Yesterday morning, another consensus appeared from behind the scenes. Said to have the support of the president, the speaker, the prime minister, the leaders of regions and republics and "several fac-tions", this resolution scrapped the referendum in favour of November elections to a twotier parliament (which meant the scrapping of the present

Congress).
Mr Yeltsin said that were it to be supported, he would can-cel his decree calling for a popular vote on April 25. There followed a dozen speakers, each of whom denounced the draft agreement: if any faction really had put their name to it overnight, none admitted it in the hall it went down with a mere 134 votes in favour.

A feature of the rhetoric on this issue was an increase in the calls for the resignation of the Speaker. The proposal to vote on the impeachment of the president was finally put on the agenda, with 594 deputies voting for its inclusion. Slightly more deputies (614) voted to ballot on a no-confidence motion on Mr Khashulatov. Mr Yeltsin's vote required two-thirds of the total, that is, 689 out of 1,033: Mr Khasbolatov's majority was a

# LDP godfather faces more tax evasion charges

JAPANESE prosecutors have filed further tax evasion charges against Mr Shin Kanemaru, the fallen "godfather" of the ruling Liberal Democratic party, and are continuing investigations into aliegediy illegal political donations by leading construction compa-

Having already been charged with evading Y119m (\$983,400) in tax for 1987, Mr Kanemaru was charged at the weekend with having evaded Y920m in taxes for 1988 and 1989. His former secretary, Mr Masahisa Haibara, was charged with evading taxes totalling Y290m

from 1988 to 1991. Mr Kanemaru has been in custody since March 6, in contrast to his previously lenient

treatment from prosecutors. It remains unclear how tough the prosecutors will be in pursuing Japanese construction companies, but 18 leading contractors have been raided in the search for information about political donations. Mr Kanemaru is also not the only Japanese politician allegedly to

have received generous fund-ing from the construction industry, raising the prospect that other leading LDP officials will be spotlighted.

However, the prosecutors, who have leaked many of their findings to Japanese newspapers, may see the publicity as warning enough to the industry and to politicians.

Prosecutors are said to be investigating whether charges of bribery can be sustained against a list of politicians who allegedly received funds from contractors. Construction industry representatives deny they have been a party to brib ery, but have conceded that the system of political donations should be made more

transparent.
The Fair Trade Commission the anti-monopoly body, is also under public pressure to ensure there is no bid-rigging

for public works projects.

Tokyo'e Olstrict Court is due to rule today on a petition for Mr Kanemaru's release from custody. If found guilty in a case which may take many years to settle, he will liable to pay Y2.14bn in penalties and back taxes.

# looking for compromise, fol-lowing the defection from the G7's reluctant convert to Russia's cause

HEN a mainstream
Japanese magazine HEN a mainstream "Yeltsin, Starve to Death!", the harsh headline reflected a frustration distilled during a century of unease between the two countries and made more potent by international demands that Tokyo assist the

lost that sliver of support

which had deprived his foes of

the majority they needed to put the issue on the agenda. To

the end, he seemed able to dis-

appoint them of the two-thirds

needed to impeach him.

The congress has registered great waves and troughs in the

apparent strength of the oppos-

ing side. On Friday, the presi-

dent kept firm to his insistence

enough to taunt the deputies to

put the question of trust in

themselves on the ballot paper.

The voices from the floor were

"unreliable Russlans". Through gritted teeth, Japan has invited Mr Yelfsin to the Tokyo summit of the Group of Seven nations, but there is a deep anguish that the country must be pleasant to Russia of international politics at without the prospect of much in return. Also, there is annoy-ance that most GT members

are blind to the Japanese vision of history. Other G7 countries may have baunting visions of the col-lapse of Russian democracy or of bloody civil war, but Japan dwells more on the past than the future. The preoccupation with settling old debts will colour the country's response in the coming months as the host-nation of the G7 summit in July, and play a sometimes dif-

ficult-to-perceive role in the international debate on Russia. Given an uncompromised choice, Japan would not rush to provide assistance to Russia. But, wanting to avoid an embarrassing diplomatic isolation, the government has promised funds, and Mr Michio Watanahe, the biunt hut revealing foreign minister, retreated from his assessment that "it is wrong to give top priority to economic assis-

Japan has promised \$2.8bn (£1.97hn), more than half of which is trade insurance; so far a third of the total has been disbursed. History aside, Japan has genuine misgivings about pouring funds into Russia when there is no guarantee that they will be used profitably. The government has also agreed to host a meeting of G7 foreign and finance ministers in mid-April, an event that will itself increase the pressure on-

Tokyo to give generously. Having once described the Russian leader as "dishonest", Mr Watanabe is a good case study of the conflicting emo-tions working away inside Japanese officials. Policy on Russia is handled almost solely by the Foreign Ministry, in con-trast to, say, China policy, which is influenced by vested economic interests and the personal interests of powerful pol-

iticians. While officials in Tokyo admit that China suffered terribly at the bands of the invading Japanese army, they are adamant that Russia was an unprincipled aggressor at the end of the Pacific war. The obvious symbol of this continuing "injustice" is the disputed Kurile Islands group, known here as the Northern Territories, and occupied by Soviet

troops at the end of the war. Mr Michio Royama, professo Sophia University, explained that "bistorically, we don't have a friendly feeling towards

### Robert Japanese misgivings about aid

Russia," and that there is a "strong anti-Russian faction in the Foreign Ministry" which is distorting the Japanese reac-tion to the changes in that

"In the case of most countries, there are, you might say, 'pro' factions and 'enti' factions, as in the case of the US This is not so with Russia, Professor Royama said. "There were a lot of frictions before World War Two, but people have forgotten what we did to Russia. Also, Russia has lost its power. It is not of value for

The rapid collapse of Russian power has exposed a long-hidden contempt in Tokyo, once intimidated by the Kremlin's claimed "moral authority" of communism and in awe of Soviet military prowess. Com-munism has lost that power to intimidate as an ideology, and Russia was revealed to be a

decaying society. Japan would prefer that other countries shared their suspicions. Professor Tadae Takuho of Kyorin University suggested that what Europeans see as a disaster, the dumping of Yeltsin, would serve Japan's interests: "The most desirable outcome in Russia for Japan is that Yeltsin is defeated before the summit; Europeans would then lose a reason for support



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Dr. Yuji Inoue NTT researcher, architect of information and telecommunication networks for the advanced information society. Vice Chairman of Technical Active Board on Information Networks in the institute of Electronics, Information and Communica-

# US defence decisions hinge on spending review

THE Clinton administration bas postponed all big decisions on military force structure and defence equipment programmes until it has completed a "bottom-up review of defence needs and programmes".

Although the \$263.4bn (£185bn) defence budget for the 1994 fiscal year, presented at the weekend. cuts two Army divisions, two Navy aircraft carriers and the equivalent of nearly three Air Force fighter wings, Mr Les Aspin, US defence, secretary, said he had only been able to make amendments to the budget bequeathed him by the out-

get, the bulk of which has been written by the previous administration. We are essentially abie to add and subtract from that defence budget but not really shape it from the ground up," he said.

The budget projects defence spending dropping steadily to \$246bn in 1997, before rising again to \$253.9bn in 1998.

The budget resolves none of the outstanding questions over costly and controversial equipment programmes such as the C-17 transport aircraft, the V-22 Osprey tilt-rotor aircraft, or the Seawolf submarine. Procurement costs will be cut by 17 per cent in real terms to \$45.5bn.

but this is largely because no new B-2 bombers will be bought, and only three DD5-51 destroyers, decisions already made under the Bush administration.

Congressional critics have complained that the Pentagon will not be able to afford all its major programmes within the framework of President Bill Clinton's promise to cut deeply into defence spending, but funding is essentially preserved for all large procursment promes, pending the outcome of

Indeed, Mr Aspin has written back into the budget 24 new F-16 fighters that the Air Force said it have been made on future tactical aircraft for the Navy and the Air

This is a cautious budget on the weapons side. We are maintaining a lot of options," Mr Aspin said.

One weapons area where decisions have been made is the Strategic Defence Initiative, often known as Star Wars. While the new budget funds missile defence development at the same level of \$3.8bn as last year, money is shifted to short-range tactical defence systems such as the Patriot, and away from defences against ballistic missiles. The new administration has, nev-

ertheless, made sharp cuts in per-

its targets for spending cuts. Active forces will be cut by 108,000 to 1.62m, with reserves dropping 60,000 to 1.02m and the Pentagon's civilian workforce falling by 45,000 to 919,000.

Combined with a governmentwide pay freeze, this will cut military personnel costs by 9 per cent in inflation-adjusted terms to \$70.1hm

Mr Aspin claimed that his predecessors, when faced with making budget savings, tended to make horizontal cuts, keeping the same number of divisions, carrier battle groups or tactical air wings, but reducing the number of men in

production line open until decisions sonnel and force structure to meet each unit, with the aim of filling them out when war came.

"I am not sure it was the right strategy in those days, in retrospect, but it is certainly not the right strategy now when the force structure is really more than we need for the kinds of threats that we are facing now," Mr Aspin said.

Pending the outcome of his review, Mr Aspin's interim force structure will cut the Army from 14 to 12 active divisions. The Navy will fall from 443 ships to 413, dropping to 12 aircraft carriers with the decommissioning of the Saratoga and the Forrestal. The Air Force will drop from 16.1 active fighter wing equivalents to 13.3, with oneand-a-half wings eliminated in Europe and one in the US, as well as an additional wing from the air

At the same time, Mr Aspin promised to preserve budgets for training and operations to ensure that US forces remained at a high degree of

readiness. One new initiative is a specific \$300m allocation for peacekeeping exercises, which the US has previously paid for out of its regular operations accounts.

Mr Aspin acknowledged, however, that the allocation was likely to be too small, noting that the US deployment in Somalia was expected to cost \$700m.

# Growth in world trade speeds up after 3 years

WORLD trade growth accelerated in 1992 after three years of slowdown, according to figures published today by the General Agreement on Tariffs and Trade. The main stimulus came from North America

Gatt forecasts in its annual world trade report that trade growth in 1993 will "at least equal" 1992, but warns that much of the risk is on the downside". Noting that trade grew more slowly during the trade report second half of 1992 as western Europe and Japan fell into recession, it said the acceleration needed to better 1992 "may be difficult to achieve"

The value of world trade grew by 5.5 per cent to \$3,700bn (£2,605bn), compared with growth of 1.5 per cent in 1991. The volume rose by 4.5 per cent, reversing a period of steady slowing since 1988. when growth fell from more than 8 per cent to 3.5 per cent

The US maintained its posi-tion as the world's leading

exporter, lifting sales by 6 per cent to \$447bn. Behind it, Germany boosted exports by 6.5 per cent to \$425bn. Strongest gains came from China and Hong Kong, where exports rose

David Dodwell looks at Gatt's annual world

by 18.2 per cent and 20 per cent respectively. Taken together, they would overtake the UK to

be the fifth biggest exporter. The US remained by far the leading importer, with a rise of 8.6 per cent to \$552bn; Germany was a distant second with \$408bn. A 1.8 per cent fall by Japan to \$238bn resulted in France overtaking it as the tbird largest importer. It bought merchandise worth \$240bn, up 3.4 per cent from \$232bn in 1991.

came in Latin America, up 18.5 per cent to \$170bn. Mexico became the 17th biggest importer, with a rise of 23.5 per cent from \$66bn to \$82bn. Argentina, Chile and Venezuela also saw strong surges. At a time when "trade has been a source of relative strength in an otherwise

Uruguay Round of talks on trade liberalisation. The report shows trade in services growing from \$890bn to \$960bn last year, a rise of 8

per cent. At the same time, the economies of central and eastern Europe began to show the first signs of export recovery since their painful transitions to market economies. While exports slipped by 10 per cent to \$85bn - an improvement from a 25 per cent slump in

# ronment", Gatt calls for mar-kets to be kept open, and for fresh efforts to conclude the

### Russia falls from ranks of world's top 25 traders top exporter

THE countries of central and eastern Europe, excluding the former Soviet Union, expanded trade with the west last year for the first time since beginning their transition to market

economies. Gatt said. While ground-breaking market access agreements signed in March last year were credited with part of the turnaround, Gatt noted that western European countries boosted their sales to the east even more strongly.

Meanwhile, Russla's trade continued to tumble. Exports to the west in 1992 amounted to just \$27.6bn (£19.4bn) down 25 per cent from \$36.8bn and eastern European states of in 1991. Imports fell similarly, Bulgaria, Hungary, Poland,

This trade disruption pulled Russia out of the world's top 25 traders, despite its dominant position in the trade of the USSR which ranked in the top 20 exporters in 1991. "To put this in perspective, Russia exported less than Norway,

gal," Gatt said. The value of exports from the region as a whole fell 10 per cent to \$85bn (after a 25 per cent fall in 1991). But this was entirely due to a 25 per cent fall in exports from the Commonwealth of Independent States (CIS) to \$35bn. In contrast, exports from the central

Romania and the Czech and Slovak Republics, when taken alone, rose by 10 per cent to \$48bn. This was a rebound from a 14 per cent fall between 1990 and 1991 which swept exports down to \$43.6bn.

Western Europe's trade grew strongly with the region, Purern Europe rose by 20 per cent between 1991 and 1992. Exports from the Czech and Slovak republics leapt 63 per cent from \$6bn to \$9.8bn, while exports from Romania jumped 43 per cent to \$2.8bn. Main gains came in food

products, steel and clothing, all products which are quota lim-Ited by last year's "Europe

THE completion of Europe's single market in January this year has had a radical impact on world trade, at least from a

statistical point of view. Not only does the European Community leap to first place as the world's leading exporter - far outstripping the US, with \$3,700bn to \$2,800bn, as sales between EC member states become domestic trade.

The disappearance of EC exporters such as Germany and France from the rankings of top traders also brings five Asian countries into the top 10 for the first time: Hong Kong is fifth followed by China, Taiwan and Korea. Singapore is at number 10.

# Single market Top trading nations suffer makes EC current account imbalances

THE CURRENT account imbalances of four of the world'e five leading trading powers widened in 1992, Gatt

When trade in both goods and services is taken into account, France was alone among the top five traders in lts current account. Japan'a current account sur-

nius widened from \$73bn to a record \$118bn (£79.1bn) as recession cut imports. In contrast, the US current

account deficit leaped from a negligible \$4bn in 1991 to \$62bn as economic recovery sucked in imports. Germany's current account deficit rose from \$20bn to import growth, as recession began to bite in the second half of 1992. This was because of a higher deficit in trade in commercial services, and a falling surplus on investment

in the UK, beginnings of ecoimport surge boosting the current account deficit from \$11.4bm in 1991 to \$21bm last

Criticising the \*popular press", and implicitly the US administration, for focusing political attention on widening merchandise trade gaps, Gatt said "this is clearly inappropriate because trade in services is an important and growing part cent of GDP.

of countries' trade." Despite the numerical widening of imbalances, Gatt noted that growth in these economies through the 1980s had meant that the current account defi-

GDP "than in most other years since the early 1980s". was lower last year in relation to the size of its economy than

cits were emaller relative to

between 1985 and 1987. Germany and the UK show the most worrisome trends, the UK slipping from a position in 1982 where it had the highest current account surplus of all five traders in terms of GDP to a position last year where it had the highest deficit, at 2 per

# Kantor may drop dumping inquiry

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By Nancy Dunne in Washington

MR Mickey Kantor, US Trade Representative, may withdraw a request by his Republican predecessor that the US International Trads Commission perform an in-depth study on the impact of US dumping and subsidy rulings.

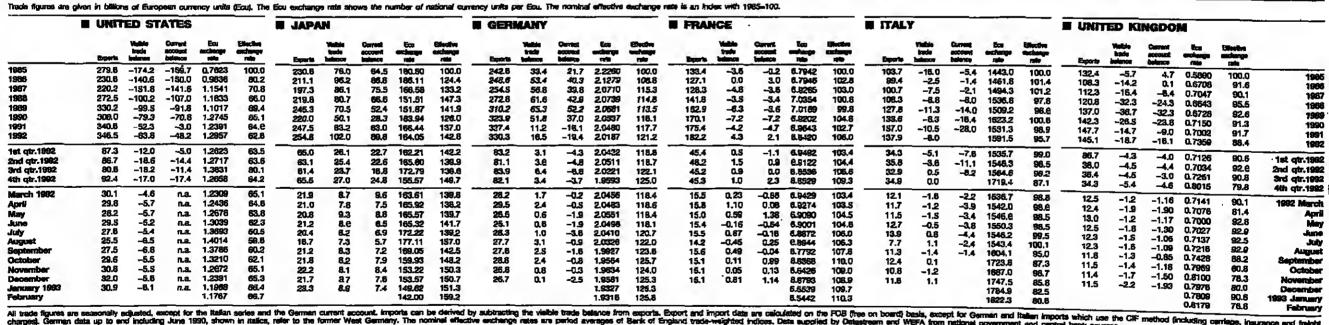
Republican members of the House Ways and Means Committee, meanwhile, have pre-pared for the possibility that the request will be withdrawn. by pushing for Congressional action which would allow the non-partisan ITC to proceed with the study. They have asked for a preliminary report

by January 1994. in a letter to Mr Dan Rostenkowski, chairman of the House Ways and Means sub-committee, Congressmen Bill Archer and Phil Crane say the study is needed to evaluate proposed changes in US trade laws resulting from an end to the Uruguay Round. Generally, the requests of the minority are bonoured as a Congressional

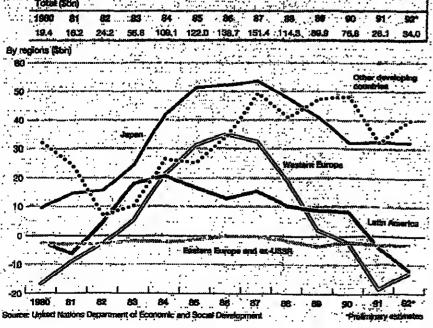
courtesy.
The Washington trade community has been stirred up since it became public that Mrs Carla Hills, former US Trade Representative, had proposed the dumping study five days before her departure from office. Only the US Trade Rep-resentative, the Senate Finance Committee and the Honse Ways and Means committee

can request PTC studies. The "fair trade" regime is ton lawyers who defend foreign companies are convinced its procedures are intrinsically biased towards American compames and sometimes, politicised. Those who generally defend domestic companies see the laws as the only legitimate weapon against predatory imports. Mr Kantor sees the fair trade laws as a necessity. Trade apostle: see feature

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS



# US lectures on economic co-operation ring hollow



US President Bill Clinton, nearly two thirds of the way through the first bun-dred days of his administration, has good reason to feei pieased. The budget package is making good progress through Congress, relations with the Federal Reserve appear cordial, long-term interest rates have fallen and the US economy is conveniently accelerating. In short, the domestic conomic agenda jooks under control.

His only disappointment is the tardy pace at which the rest of the world is falling into line. Russian president Boris Yeltsin can hardly be blamed for his current plight, and the US, like the rest of the world, has little option but to mouth support and wait with crossed fingers. But other countries that do control their domestic policy agendas, notably Germany and Japan, appear less willing to follow the world leader's example.

Undeterred, the Clinton administration has quickly adopted the standard US presidential practice of lecturing other countries on how to manage their affairs, with the US Treasury taking the lead on the

lecture circuit. Germany, the G7 finance ministers were told, should cut its interest rates more rapidly in order to kick-start European demand (for US exports). Japan, senior Treasury officials publicly imply, should be using fiscal policy in a more aggressively expansionary way to stimu-late Japanese demand (for US exports). Would-be recipients of aid and debt relief should liberalise their economies and open their markets (to US exports).

Yet, while it is easy to see why the world's only superpower speaks its mind, it is less obvious that it has the moral right to do so. While lecturing other countries about their responsibilities, the world's richest nation continues to benefit from a huge net resource flow from the developed and developing world alike. At its peak in 1987, the net resource transfer to the US was \$151.4bn (£106.6bn), of which over \$70bn came from developing countries, equivalent to 2 per cent of developing country GDP. The cumulative flow since 1980 is a little over \$880bn.

the product of millions of individual, private and voluntary decisions. Yet the US, by virtue of its size and economic power, can alter the incentives that private individuals face. Hence, the rise of the US fiscal deficit in the 1980s was, in part, responsible for the rise in world interest rates and the flood of capital into the US.

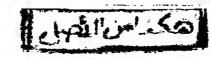
This sharp rise in real interest rates encouraged US commercial banks to liquidate their third world lending to take sdvantage of the higher domestic returns. thus bringing on the debt crisis. Not that the US can take all the blame. While profligate US fiscal policy sucked resources in, mistaken domestic policies in many developing countries also drove resources towards the US. This was particularly true of Latin America and Africa for whom the stock of flight capital is estimated at a third to two thirds of annual GDP.

For all its good intentions, the Clinton The US might bridle at these statistics. administration will continue to suck

The net resource flow (equivalent to the US current account deficit minus net interest, profits and dividends) is, after all, budget deficit of over 3 per cent of GDP by budget deficit of over 3 per cent of GDP by 1998 while the combination of a nascen recovery and persistently low US national savings will expand the current account deficit over the next year.

It is the regional profile of America's capital donors, not the demand placed on them, that appears to be altering. Budget deficit-burdened Europe is now importing capital from the US, while eastern Europe is drawing on US savings. Meanwhile, economic reform and debt relief in Latin America has made the region a magnet for portfolio investment, capturing almost all of the 135 per cent (\$4.70m) increase in annual equity flows to developing counties over the past three years. This leaves an extraordinary alliance of Japan, east Asia and debt-burdened Africa to finance the world'e largest, and least progressive, economic assistance programme.

**Edward Balls** 



MARCH 29 1993

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# Government faces fresh split over coal

and Michael Smith

THE BRITISH government is facing the threat of an internal split over the coal industry after ministers failed at tha weekend to calm fears that 12 mines granted an apparent reprieve last week could still BBC television. But he admited

Reluctant to admit that the ruling Conservative party was still struggling to win support for its policy on the future of UK-mined coal, Mr Michael Heseltine, trade and industry secretary, said "dramatie opportunities" had been given to the industry via government

to £400m. A mint from British Coal executives that further pit clo-sures were inevitable around April next year was, "nne hypothetical doom-laden scenario." Mr Heseltine argued on

he could not "sign up in blood" to pits remaining open. In parliament, government business managers are braced for at least two Conservative MPs to vote against the government and for another six or more to abstain. A trade union lohby of Parliament will increase the pressure on wavering Tories but the gov-

Tha electricity and coal industries yesterday cleared tha way for negotiations aimed at saving threatened pits when they started signing contracts worth £5.5bn over five years to British Coal. The deale, concluded just three days before existing three-year contracts expire-

and after nearly a year of ernment was last night confi-dent of winning the vote. Defeat would require 11 Tories to vote against the goveroment, assuming that all other political parties were opposed to the package.

intense negotiations, will secure a long term future for the 19 pits which British Coal regards as its best. The future, however, of another 19 pits which will stay open or be mothballed following last week's policy document will be determined by talks in the next few weeks between British Coal and the generators.

In a move deliberately timed to help the vote, Mr Peter Lilley, social security secretary, wili today announce extra help for former miners suffering from chronic bronchitis and emphysema, implementing ber by the Industrial Injuries

Advisory Committee.
Industry Disablement benefit will be available to those suf-ferers who have worked more than 20 years underground. The department is expect about 80,000 applications.

Possible Tory coal rebels are to meet this morning to discuss tactics. The most vociferous yesterday, Mr Winston Churchill, said he was "looking for very specific assurances by the chairman of British Coal about the future of the 12 reprieved pits. Without them, "the government would need to be very worried about its

Mrs Elizabeth Peacock, another Tory MP, said measures in last week'e coal policy document did not meet her concerns over the "dash for gas," electricity imports from France, opencast mining, and orimulation imports.

Mr William Cash, MP for Stafford, said the debate on the industry had been rushed. "No doubt part of the reason is so that people could not focus on it properly."

However, two possible rebels Mr David Nicholson and Dr Michael Clark - yesterday said they would support the govern-

# **Britain** in brief

### Supermarkets accused of profiteering

The opposition Labour party has asked the Office of Fair Trading for an investigation into alleged "profiteering" by UK supermarket chains. Labour'n consumer affairs

spokesman, Mr Nigel Griffiths, has written to Sir Bryan Cars-berg, the Director General of Fair Trading, claiming that statistics show supermarket profits have risen by 422 per cent in the past 10 years while producer prices have risen only 18 per cent.

Comparing UK margins with those in France, Mr Griffiths claimed Carrefour, France's largest supermarket group, increased its profits by 76 per cent over the same period. Gross margins for French supermarkets are around 18 per cent. compared with 23 per cent for UK market leaders, he

### Concern at mail train robbery

British Transport Police fear a gang that robbed a mail train at one of London's main rail hubs may flood the black market with vehicle tax discs and postal orders worth hundreds of thousands of pounds.

Two postal workers were assaulted and other staff threatened at gun point during the Friday-night raid at Euston station, police said. Documents used as Post Office counter supplies were stolen. British Rail has offered a £10,000 reward for information leading to the arrest and conviction of the robbers.

### Jobless growth set to slow

The rate of increase in UK unemployment will continue to fall, with the smallest increases over the next year expected in the north west,

Scotland and Wales, according to an economist at one of Britain's clearing banks. Mr David Kern, chief economist at National Westminster Bank, says that the number of UK jobless is expected to rise by a further 300,000 to 3.275m in March 1994. However, he says there is now evidence of a distinct slowdown in the rate of increase which will con-tinue throughout the year.

### Management pay rises 4.4%

Managers' basic pay rose by 4.4 per cent over the 12 months to February, according to a sur-vey of more than 1,000 companies carried nut by the pay research group, Reward.

The rate of pay increases for managers fell in the second part of the year - six months ago pay was rising at an annual rate of more than 5.5 per cent, the group found.

### Competition urged for gas

The Mnnopolies and Mergers Commission is considering a strong call from British Gas's competitors for the liberalisa-tion of the household gas supply market in its review of the industry. But this is countered by consumer groups and some North Sea oil producers which urge caution in changing the ent situation.

In a Financial Times survey of evidence submitted to the commission - which is due to present its report to Mr Michael Heseltine, trade and industry secretary, on April 30 - all of British Gas's main competitors say they want to enter household sales.

### Restrictions on tribunals

Industrial tribunals are to be given the power to restrict press reporting of sexual harassment cases, following a late government amendment to the amployment bill. The amendment, due to be pro-posed today, is certain to be accepted. It will prevent either alleged vietims or alleged harassers from being identified while a case is being heard. Tha measure could also be extended to protecting wit-

# Gas engineering companies 'could lose 30,000 jobs'

GAS ENGINEERING companies could see the loss of 30,000 jobs by the end of the year because of uncertainty hanging over the sector, a senior industry executive warned yes-

Mr John Cull, managing director of Amec Utilities, said more than 200 engineering and service companies which pro-duce pipes valves, meters and other infrastructure have shed more than 10,000 jobs between them since British Gas began cutting back on spending ear-

British Gas has cut its £300m annual investment programme by 20 per cent because of uncertainty over an inquiry into its business by the Monopolies and Mergers Commission. said Mr Cull, who is also president of the Society of British Gas Industries.

The society represents about 90 per cent of the engineering and service companies supply-

The MMC inquiry should set a rate of return for British

decida whether it should be

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sold off, Mr Culi said. Ofgas, the industry regulator, has pro-posed British Gas should earn a return of between 2 per cent and 4.5 per cent on its pipelines. But the company says this is too low to cover further infrastructure investment.

Mr Cuil said manufacturing throughput among the society's members has declined by 60 per cent compared with the same time last year. He believes British Gas is running down its stocks of pipes and not ordering new ones.

"These companies are well-managed, but they're suffering hecause of the battle between British Gas and Ofgas, he

Mr Cull has met Mr Tim Eggar, the energy minister, to express his fears about the industry. But Mr Eggar said the matter remains in the hands of the Monopolies and Mergers Commission. The commission's report is due out by the end of April, but Mr Cull fears the government will not take decisive action until close to the end of the year. By that time, service companies which rely on British Gas will be facing severe difficulties.



the Anglo-French Channel tunnel have been delivered to Folkestone, site of the rail terminal at the UK entrance to the under-sea rail link. It is expected that

8.5m tonnes of freight will be carried during the first year of operation. By the time freight operations begin in December there are expected to be more

than 200 of the Italian-made shuttle wag-

the tunnel. Each shuttle will comprise 28 wagons; each wagon will carry one large truck with a gross weight of up to 44

Notice of Early Redemption

### THE BOC GROUP

THE BOC GROUP plc

(incorporated in England under the Companies Acts 1862 to 1883)

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8 1/a % Bonds due 1996 (Common Code 1064703)

Notice is hereby given in accordance with Condition 4(c) of the Terms and Conditions of the above Bonds (the "Bonds") that The BOC Group plc (the "Issuer") will redeem all the Bonds still nutstanding on 14th May 1993 (the "Redemption Date") at a price of 101 1/2% of their principal amount (the Redemption Amount") plus accrued interest to the Redemption Date.

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### Slough Estates plc

Notice of Redemption to the holders of the outstanding £150,000,000 6 per cent. Convertible Bonds Due 2003 ("the Bonds")

Notice of Adjustment of Conversion Price to take effect following the proposed rights issue

of new ordinary shares announced on 25th March 1993 Redemption Date: 20th May 1993 Conversion right expires at midnight on 12th May 1993

NOTICE IS HEREBY GIVEN that Slough Estates pic ("the Company") has elected, pursuant tn Condition 10(b)(ii) of the Bonds, tn redeem all of the outstanding Bonds (except in the extent that the Bonds are converted before the due date for redemption) on 20th May 1993 ("the Redemption Date") at £120.84 per cent. ("the Redemption Value"), being the principal amount of the nutstanding Bonds together with supplementary interest.

On the Redemption Date the Redemption Value will become due and payable on all the Bonds.

On the Redemption Date the Redemption Value will become due and payable on all the Bonds. In the case of the Bonds which are in registered form ("Registered Bonds"), payment of the Redemption Value will be made on the Redemption Date (or, if later, upon presentation and surrender to the Registrars, National Westminster Bank Plc. P. O. Box 82, Caxton House, Redeliffe Way. Bristol BS99 7NH of the relevant Registered Bonds) to the persons shown at the close of business nn 20th April 1993 as being the registered Bonds of such Registered Bonds. Payments will be made in pounds sterling by cheque drawn on a town clearing branch of e bank in the City of London and mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, the expense of the holder) to the holder or to the first named of joint holders of such Registered Bonds at his registered address or in accordance with mandate instructions acceptable to the Registeres. All payments in respect of Registered Bonds will be made in each case subject to any fiscal or other local law and regulations, and otherwise in accordance with the Terms and Conditions of the Bonds.

otherwise in accordance with the Terms and Conditions of the Bonds.

in the case of the holders of the Bonds in bearer form ("Bearer Bonds"), payment of the Redemption Value will be made pursuant to Condition 8 of the Bonds against surrender at the office of one of the Paying and Conversion Agents specified below of the Bonds or Optioned Bond Receipts together with all interest coupons appertaining to them ("the Coupons") maturing after the Redemption Date.

If any Bearer Bond surrendered for redemption is not accompanied by all relative unmatured Coupons, the face value of any missing unmatured Coupon will be deducted from the amount due for payment. Any amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon not later than ten years from the date on which the Coupon would have become due. All Bonds and Coupons will become valid unless they are presented for payment within ten years and five years respectively from the Relevant Date (as defined in Candition 11 of the Bonds) at the offices of one of the Paying and Conversion Agents specified below.

The holder of any Bond has the right, subject to any applicable fiscal or other laws or regulations, at any time up to midnight on 12th May 1993 but in no event thereafter to convert such Bond into fully paid registered ordinary shares of 25p each in the Company ("ordinary shares"). The current conversion price is 318p. This compares with a middle market price, as shown by the Daily Official List of the London Stock Exchange on 25th March 1993, of 192.5p per ordinary share. The number of ordinary shares to be issued on conversion is determined by dividing the principal amount of the relevant Bond(s) by the conversion price.

Rights Issue and Adjustment to Couversion Price

On 25th March 1993 the Company announced a rights issue of new ordinary shares ("the Rights Issue") to holders of ordinary shares and to holders of cumulative redeemable convertible preference shares of 25p each in the capital of the Company ("Convertible Preference shares") on the register at the close of business on 25th March 1993 ("the Record Date"). Holders of Bonds who exercise their conversion rights after 25th March 1993 will not be entitled to participate in the Rights Issue hat the conversion price will be adjusted in accordance with the terms of the Bonds to take account of the Rights Issue. price will be adjusted in accordance with the terms of the Bonds to take account of the Rights Issue. Accordingly, and subject to the Rights Issue proceeding, NOTICE IS HEREBY FURTHER GIVEN THAT on 13th April 1993, the date the Company expects to make the provisional allotment of new ordinary shares pursuant to the Rights Issue, the conversion price applicable to the Bonds will be adjusted as a result of the issue of new ordinary shares pursuant to the Rights Issue from 318p in 298p in respect of conversions which take place on or after that date. In respect of conversions which take place after 25th March 1993 but before 13th April 1993, the Company will (i) issue the appropriate number of ordinary shares arising on conversion at the conversion price of 318p, and (ii) on nr within 21 days of each such conversion issue such additional number of ordinary shares as would have been required to be issued if the adjustment referred to above had already taken place.

A copy of the Circular in connection with the Rights Issue, which comprises listing particulars relating to the Company in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, may be obtained on application from the Principal Paying and Conversion Agent specified

Principal Paying and Conversion Agent S.G. Warburg & Co. Limited 1 Finsbury Avenue London EC2M 2PA

Other Paying and Cnaversion Ag

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# RIGHT

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# Markets face surfeit of news from France, Germany and the US

THIS week promises to be unusually busy for the time of the month.

Financial markets will be keenly anticipating clarification of the new French government's policies as well as its membership following yesterday's second round of the National Assembly elections.

in the US, a raft of statistics, culminating in Friday's nonfarm payroll data for March, will give new insights into the strength of the US economic recovery and whether President Bill Clinton's deficit reduction plan has damaged consumer confidence

The German Bundesbank's decision-making central council holds a regular fortnightly meeting on Thursday. Its decision late last week to cut the interest rate on its three-day Treasury bill sharply to 7.5 per cent has revived hopes that it may trim its official rates further in response to signs of accelerating economic slowdown in Germany.

Behind the scenes, senior officials in the foreign and finance ministries of the Group of Seven countries will be continuing urgent work on a support programme for the Russian economy. The possibility of new assistance for Russia will be raised in talks between Presidents Clinton and Yeltsin Meanwhile, rumbling trade

Civilian labour force changes non apricultural payages (1000)

US employment

disputes between the US and its European Community partners will be given a new airing in talks between Mr Mickey Kantor, the US trade representative, and senior EC Commission officials in Brussels today and tomorrow.

In Britain, Mr Norman Lamont, the chancellor, and Mr Robin Leigh-Pemberton, the Bank of England governor, will be testifying on this month's Budget to the House of Commons Treasury and Civil Service Committee on Wednesday. This week will see the

release of important economic

statistics from Japan, Germany and, in particular, the US. Tomorrow's March consumer confidence index in the US will be closely watched for signs of further deterioration following the decline to 68.5 in February ment rate. France, February from 78.1 in December. February's US factory orders on Wednesday and the National Association of Purchasing Managers' index on Thursday will give an insight into the state of US manufacturing. But most attention will focus

on the March employment data. Non-farm payrolls increased by an unexpectedly strong by 365,000 in February, the largest such rise since January 1989. Many analysts expect employment gains will have been much slower this month. Another unexpectedly strong rise would suggest that the economy continues to grow well and casts doubt on the need for the expansionary elements in President Clinton's economic policy.

The main statistical releases and events are as follows. The figures in brackets are averages of what financial markets expect, according to MMS International, an economics consultancy.

Today: US, February new ome sales (597,000), personal income (up 0.5 per cent), personal consumption expenditure (up 0.4 per cent), Canada, January employment earnings (up 3.2 per cent on year). Germany, InterAmerican Development Bank meets in Hamburg

Tomorrow: US, March consumer confidence (67.4) . Japan, February unemploy-

unemployment rate (10.6 per cent). Australia, January cur-

month). Wednesday: US. February leading indicator, factory goods orders, March Chicago NAPM Japan, February construction orders, construction starts, housing starts.

rent account (A\$900m surplus).

Canada, January real GDP at

factor cost (up 0.3 per cent on

Thursday: Germany, Bundes bank central council meeting. US, Fehruary construction spending (up 0.7 per cent), March NAPM index (55.0), initial claims week ending March 27 (347,000), money supply week ending March 22 (M2 up Friday: US. March non-farm

payrolls (up 100,000), manufacturing payrolls (up 10,000), hourly earnings (up 0.2 per cent), unemployment rate (7 per cent). UK, March official reserves (unchanged), February housing starts. France, National Assembly resumes. Saturday: Canada, Presidents Clinton and Yeltsin meet

in Vancouver. During the week: Germany, February industrial production (down 1 per cent on month), manufacturing output (down 1.3 per cent on month). Italy, February official reserves, balance of payments.

Peter Norman

### RESULTS DUE

business services group, is expected to report substantially increased pre-tax profits. from £185m to about £248m, when its 1992 results are published today. Interest will focus on how the group has integrated Tozer Kemsley Millbourn, the motors and retailing concern bought for £383m at the end of 1991, and which is thought to have enhanced earnings.

Analysts will also want to hear how Toyota and Mazda vehicles are faring, now the car market is at last showing

will provide few surprises.

The group has already made clear its 1992-93 first half will be little better than the previous year when it made pre-tax profits of £200,000. But it is expecting to earn enough over the full year to pay a maintained covered dividend of 7p. pointing to total pre-tax profits

Financial Times in its range of interests, is forecast to show a fall in 1992 profits when it mounces today.

Analysts are looking for

Doulton and the entertainments divisions. Pearson, the diversified group which includes the

for Woodrow is expected to reveal pre-tax losses for last year of £65m to £70m when it announces results tomorrow. Analysts are expecting more than £60m of write downs to bring the company's land bank and properties into line with current market levels. After cutting its dividend at the

interim stage, the final is also likely to be cnt, possibly to 0.5p compared to 7.64p

Castrol believe the Inbricants, chemicals and fuels group will on Thursday report annual profits renging from £82m-£86m, compared with £79m in 1991.

### UK COMPANIES

I TODAY COMPANY MEETINGS: Fidelity European Values, 25 Lovat Lane, EC., 3.00. BOARD MEETINGS: Finals: Aspen Comms Computer People Edinburgh Fd. Mngrs.

Forth Ports Hickson Incheape Linread Macallan-Glentivet Needler Pearson interims:

Lucas Industries

Scottish Asian Inv.

MY Hidas.

**■ TOMORROW** COMPANY MEETINGS: Allied Textile. Highburton. Huddersfield, 12.00. Baldwin, The Registry, Royal Mint Court, EC., 10.00. Castle Calm Inv. Trust, 1 Charlotte Square, Edinburgh,

General Cons. Inv. Trust, 49.

Hay's Mews, W., 2.45. BOARD MEETINGS: Finals: **Avonmore Foods** Brake Bros

Cons. Venture Tst. Croda Intl.

**FW Fact** Henderson Highland Hughes (T.J.) Jeyes Le Creuset Macfarlane Mayflower Newman Tonks **Psion** Rhimo TT Group **Taylor Woodrow** Tibbett & Britten Waterford Wedgwood Interim: Allied London Props.

WEDNESDAY MARCH 31 COMPANY MEETINGS: **BWD Securities, Woodsome** House, Woodsome Park, Fenzy Bridge, Huddersfield, 11.30. Caldwell Invs., 12, York Place, Leeds, 12.00. Securicor Group, Richmond Hill Hotel, Richmond Hill, Richmond, Surrey, 12.30. Security Services, Richmond Hill Hotel, Richmond Hill, Richmond, Surrey,

12.15. Yeoman Inv. Trust, Bride House, 20 Bride Lane, EC. 12.00. **BOARD MEETINGS:** 

Arcon Res. Intl.

Boxmore intl. **Broadcastie** Central ITV Cuiver Fife Indmar Grampian Hidgs. Harrisons & Crosfield Hay (Norman) Hogg Group House of Lerose Johnson Grp. Cleaners **London Securities** Ocean Group OS Hidas. Schol Taylor Nelson AGB **Tilbury Douglas** Interims:

**Bridport-Gundry THURSDAY** APRIL 1 COMPANY MEETINGS: Reming Redgeling Inv. Trust\_ 25 Copthall Avenue, EC., 12.00. Gresham Telecomputing, The Crest Hotel, Eastleigh, Southampton, 10.00. Heavitree Brewery, Trood Lane, Matford, Exeter, Devon, Throgmorton Trust, Insurance Hall, 20 Aldermanbury, EC., 12.00. BOARD MEETINGS:

Bunnah Castrol Fairhaven Great Southern Jacobs (John L) Jourdan (Thomas TLS Range World of Leather Interims: Gleeson Spirax-Sarco Eng. ■ FRIDAY APRIL 2

COMPANY MEETINGS: City Merchants High Yield Trust, 11 Devonshire Square. EC., 2.15. Lonrho, The Barbican Hall, Barbican Centre, Silk Street, €C., 11.00. BOARD MEETINGS: Finals: Assoc. Fisheries **British Dredging** 

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Company meetings are annual general meetings unless otherwise stated. Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

interims, also today, from

INCHCAPE, the motor and Lucas Industries, one of the largest UK engineering groups,

of around £75m.

around £140m-£146m, compared to £173.8m the year before. However, a maintained dividend is expected. Low activity in the US oil industry will have hit Camco, while recession will have taken its toll at Royal

Construction company Tay-

Analysts following Burmah

The uncertainty arises because concern over the group's exposure to the faltering German economy, increased by its acquisition of the Foseco metallurgical husiness, is balanced by prospects for synthetic oil products in the US.

### PARLIAMENTARY DIARY

TODAY Commons: Questions to Welsh ministers and Chancellor of the Duchy of Lancaster. Debate on motion to approve coal White Paper Lords: Housing and Urban Development Bill, committee Pneumoconiosis (Workers' Compensation) (Payment of Claims) (Amendment) Regulations, Scottish Legal Aid regulations. Select committees: Public Accounts - subject: Sale of

Girobank. Witness: Sir Peter Gregson, permanent secretary, department of trade and industry, 4.30pm, room 8. Home affairs - subject: Juvenile offenders. Witnesses: Prison Governors' Association; Prison Officers' Association, 4.45pm, room 15.

**■ TOMORROW** Commons: Education cuestions. Questions to the Prime Minister, European Communities (Amendment)

Bill, committee Lords: Trade Union Reform and Employment Rights Bill, committee. Video Recordings Bill, third reading. Local Elections (Variation of Limits of Candidates' Election Expenses) (Northern Ireland)

WEDNESDAY Commons: Scottish questions, Legal Aid regulations. Debate on EC report on Common Agricultural Policy. Lords: Debates on the coal review and threat to independent television companies from European Select Committees: Environment - subject: Housing Corporation. Bath University and Christine Whitehead, London School of Economics, 9.15am,

room 21. Parliamentary Commissioner for Administration - subject PCA report on compensation to farmers for slaughtered poultry. Witness: Mr Richard Packer, permanent secretary, ministry of agriculture, fisheries and food, 10am, room 19.

Trade and industry - subject British Aerospace Industry. Witnesses: Rolls Royce; The Boeing Company, 10.30am, Treasury and civil service subject: March 1993 Budget. Witness: Mr Robin Leigh-Pemberton, governor

of the Bank of England, 11am, room 8. Education - subject Special educational needs. Witnesses: Association of County Councils, Association of Metropolitan Authorities; Society of Education Officers, 4.10pm, room 18. Public Accounts - subject: Matters on the Inland Revenue Standard report 1991-92. Witness: Sir Anthony Battishill. chairman, Board of Inland

Treasury and civil service subject March 1993 Budget. Witness: Mr Norman Lamont the chancellor of the Exchequer, 4.30pm, room 8. Home affairs - subject: Juvenile offenders. Witness: Mr Michael Jack, minister of state, home office, 4.45pm, room 15.

Revenue, 4.15pm, room 16.

THURSDAY Commons: Treasury questions. Questions to the adjournment debate. All night session of backbench

Lords: Leeds Supertram Bill, second reading. London Local Authorities Bill, third reading. Debate on civil rights of Albanians in former Yugoslavia's Kosovo region.

FRIDAY Commons: Short backbench debates. Lords: Not sitting.

# **CONFERENCES & EXHIBITIONS**

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agents, licensees and end-mers in the UK and/or Common Market. Exhibition of cetnlogues and videos at the Royal Lancaster Hotel, London. Hours 10-5. Present husiness card for free entry and enquiry processing. No advance

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### APRIL 1-3

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APRIL 5 - MAY 24

### **FT City Course**

nies with interests in the City. Its objectives ere to provide a broader understanding of all aspects of the operations of the City and the factors that mske it s pre-emicent flanceial nod treding centre. Enquirles: Financial Times. Tel: 071 814 9770. Fax: 071 873 3975/3969.

### APRIL 15 Automotive Management Congress '93: The Motor Retail Only 20 Tickets left

Ebbert; David Beck MD Lex Retail; Gooff MO Pendragon; Paul Ounkloy MO Camden Motors. Tickets (inc. lunch) £195. Contact: Janet Itani.Tel: 081 687 2340.

### **British Public Works Association** Privately Financed Intrastructure

Stephen Dorrell, MP. Favancial Secretary to the Treasury, is the keynote speaker at a one-day conference at the Royal Westminster Hotel, Loodon SW1. to consider the future rote of private finance in Britain's infrastructure. Contact the BPWA.Tcl: 0784 452748.

### APRIL 21-22 Introduction To Options Course - Parts 1 & 2

Day 1: Basic Termicology, Optlon Pricing, Trading & Hodging Strategi Ony 2: Volatility, Advanced Trading gies, Portfolio Management, Ven Cambridge Science Park, Cambridge, £345 (1 day only), £595 (both days). Contact: Kathy Page, Brady Financial Seminars. Tel: (0223) 423250.

APRIL 26 Downstring I.T.: The

This one day conference looks beyond the technical aspects of moving hom mainframe to micros til the org magerial and effectiveness dimensi Contact: Business Intelligence Tel: 081 544 1830. Fax: 081 544 9020.

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are migrating from main frames to parallel data base servers for performance end epeakers from industry and neader discuss parallel softwere strategies for business applications (with major case 256484. Fax: 0895 813095.

**APRIL 28 & 2S** Financial Innovation - Nev Directions For The 90s

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w role for LT. This one day management conference provides an locielye goide to the challenges presented at the LT, function. There will also be opportunities to obtain bands-on experience of some of the new software tools which support but nodelling and redesign. Contact: Business intelligence Tel: 081-544 1830

Fax: 081-544 9020 LONDON

JUNE 8 Contingency Planning In Business, I.T. And Leura what product areasares in adopt is your own contingency pleaning for se who have had prac of physical disasters on their business activities and LT. facilities. Contact: Dipti Chushan, IBC Technical

Tel: 071 637 4383, Pax: 071 631 3214. JUNE 8 Current Developments in North

Sea Drilling Operations The conference papers will give a topical overview covering company contracto relationships, safety management, covironmotal issues, shallow gas bazards/safaty cases ned folute technology. Contact: Caroline Little,

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Exchange just learned with the Teurus

Chris Kohnt on 071 244 7518 at Century

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Tel: 071 636 1004, Fax: 071 255 1472. JUNE 9 Avoiding Software Disaster &

Gary Hamel: Competing For The Future, A New Strategy

Gury Hamel, one of the most res cosiness experts in the world, will outline visat e company must do to position itself for industry leadership to the year 2000 and beyond, Vermer The London Marriott Hotel. Contact: Cinice Mackins, The momist Conferences. Tel: 071 493 6711 cst. 276. Fax: 071 409 3296

JUNE 18 Protecting the Media Practical ndvice nod explanation of current and fatere law on netings for

of confidence, passing off and malicious

lelsebood. How to deal with the Complaints Contains et: Athina Peters, IBC Tel: 071 637 4383. Pax: 071 631 3214. LONDON

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for export control, compliance managers

Contact: Linda McKay, IBC, Tel: 071 ts37 4383 Fax:071 631 3214 JUNE 23 Paying for Inter-Urban Roads A conference on the Government's Gree Paper on road charging and financing road infrastructure. Speakers is clude Rt Hon

John MacGregor MP. Secretary of State for Transport. Contact: Isin Dale, Tel: 071 730 0430. Pax: 071 730 0460. JUNE 23-24

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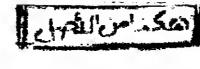
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ARCH 29 1993

Y MEETINGS: hants High Yield Devonshire Square ne Barbican Hat Sentre, Silk Street

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4.150m. room 18. and civil service farch 1993 Budge Ar Norman Lamont ellor of the r. 4 30pm, room & ars - subject: iffenders. Witness: el Jack, minister of ne office, 4.45pm,

after the board

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Bradford & Bingley Bidg. Schy. Sb. Fitg. Rete Nts. 2001 22082.41

Brit. Telecom Fin. 10%/6 Gtd. Nts. 1995 Ecu 108.25 Cable & Wireless Int. Fin. 10%% Ged. Bd. 2002 £1037.50 rco Eng. Nts. 1995 £183.39 Dalwa O'seas Fin. Gtd. Fits/Fxd. Rate Nts. 2002 \$2015.90 Eksportfinans 81/16 Nts. 1995 Fullta Fitg. Rete Nrs. 1997 Y1078125.0 GUS 13.75p GUS A 13.750 Japan Airlines 814% Gtd. Bd. 1996 0406.25 EETINGS: Manuberi Int. Fin. 8.4% Ser.C Bd.

ide Bidg. Scty. 114% Nts. 1997 2562.50 Oo. Fitg. Rate Nts. 1996 £89.60 Newman Tonks 5.5p Nomura Blc. Int. 9%% Gtd. Sb. Bd. Sabre Int. (No.2) 6,4% Sec. Nts. 1998 Y840000.0 Saitsma Bk. Fitg. Rate Sb. Ln. Ptopn. Cert. 2000 \$95.63 Southern Elect. 101/4/6 Bd. 2002 21025.0 Stars 1 Class A Fltg. Rate Mtg. Bokd. Sec. 2029 £185.09 Swaden (Kingdom of) 11/4% Bd. 1995 2562.50 Tokal Bank Nederland Fito/Fied. rate Gts. Nts. 2002 \$2041.18 Unifever Cap. 81/36 Gtd. Nts. 2000

Yorkshire Elect. 6p

DIVIDEND AND

TODAY

INTEREST PAYMENTS

tralian Ind. Dev. 101/2% Bd. 1999

**TOMORROW** Brit. Gas Int. Fin. 9% Gtd. Nts. 1984 Brit. Land (Jersey) 8.625% Ov. Cap. Bd. 2011 £42.53425 Brit Telecom Fin. 8%% Gad. Bd. 1995 \$431.25 GW O'seas Fin. Gtd. Fitg. Rate Nts. 1994 \$263.96 Hellfax Bidg. Scty. Fitg. rate Ln. Nts. 1996 (Ser.B) £222.03 Itoh (C.) Int. Fin. 71/2% Gtd. Nts. 1994 Y750000.0 Kernira Fitg. Rate Nts. 1995 \$263.96 OKI Elect. 8.5% Bd. 2000 Y650000.0 Seagram \$0.14 Treasury 15%% Ln. 1998 27.75 Treesury 71/16 1998 \$1.6958 U.K. Fitg. Rate Nts. 98 \$81.25 Wood (S.W.) 0.5p

MARCH 31 ABB Kent 6% Db. '88/93 £3 Do. 74% Db. '88/93 £3.875 . Do. 8% Un. Ln. '88/93 £4 Aegis 8.875% Cv Un Ln 2002 4.80186p Alexon Cv. Rd. Pf. 3.125p Affled Radio 8% Cv Ln 2001 £4 Almatt Lon, Props. 81496 1st Mtg. Db. '96/01 £4.625 Ashley 8.250 Cv. Rd. Pt. 4.125p Assoc Br Eng 4.9% Cm Pf 2.45p Do, 8% Cv. Rd. Pf. 4p Atlantic Metropn, 12% Cv. Ln. '91/ Audax Props. 11% 1st Mtg. Db. Automotive Prods. 3.5% Cm. Rd.

Pf, 1.75p Db. 4.55% 2nd Pf. 2.275p Do. 9% Cm. Pf. 4.5p BAA 11%% 2016 2587.50 Barrow Hepburn 7.75% Cm Pf

98now repoute 1.7379 Cert F1 3.8759 Bass Inva. 774% Un. Lr. '92/97 23.6875 Bass 10.65% Db. '96/99 £5.325 Db. 44% Un. Ln. '92/97 £3.875 Db. 714% Un. Ln. '92/97 £3.875 Bennose 71/24 Cm, 92/97 (3.6/5) Bennose 71/24 Cm, 92/95 (3.8/5) Blue Circle Inds; 54/4 2nd Db. 1984/2009 £2.875 Boddington 4% Db. Perp. 22 Boots 74% Un Ln 88/93 23.875 Boot (Henry) Cm. Pf. 2.625p

Boscombe Prop 5% 1st Pf 1.75p Bowster 7.75% Cv, Pf. 3,875p BP America 9%% Gtd. Bds. 1999 Ecu86.25 Brit. Airways Cap. 9%% Cv. Cap. Brit. Arways cap. Swys Cv. Cap. Bds. 4,861844p Brit-Amer Tobacco 5% Cm Pf 1,75p Brit. Assets Tet. 4½% Pf. 1,575p Do. 5% A Pf. 1,75p Brit. Inv. Tat. 11:125% Sec. Ob. Brit. Land 701/2% Deld. 1st Mtg. Db. 2019/24 \$5 25 Do. 11%% 1st mig. Db. 2019/24 Brixton Est. 11.75% 1st Mtg. Db. 2018 £5,875 Brockhampton 9.5% Rd. Pf. 1996

4.75p Brown (J) 4%% Sec. Lz. 2003 Do. 5%% Sec. Ln. 2003 £2.8125 Bruntoliffe Invs 7% Cm Pf 2.45o Burtorwood Brew, 814% Db. '89/ 94 £4.126 Cable & Wireless 7% Ov. Un. Ln. 2008 £3.50 Cap. & Counties 6¼% 1st Mtg. Db. 93/98 £3.125 Do. 64% 1st Mtg Db '94/99 83.375 Chapman Inde. 81/2% 1st Mtg. Db. 93/96 24.25 Chemical Bridg. Fitg. Rate Sor. Nts. 1906 \$48.13

Chillington Corp. 12% Cv. Un. Ln. Churchbury Ests 8% Ln 2000 £4.50 City Site Ests. 10.5% 1st Mtg. Db. Cleveland Place 5% Rd. Db. 2000 £2.50 Do. 7%% Pid Ob '88/93 £3,875 Do. 101/2% Rd Db 190/95 £5.25 Do. 121/96 Rd. Do. 2008 85.09 Do. 121/96 Rd. Do. 2008 85.09 Coats Viyella 4.9% Cm. Pf. 2.45p Collaboralised Montgage Sec. (No.8) Mtg. Bold. Ftg. Rate Nts. 2028 2173.28

Do. (No.11) Class A 2028 £172.37 Comm. Union 8%% Cm. Ind. Pl. 2,845205p Continental Bank \$0.15 Conti. Illinois O'ses Fin. Gtd. Fitg. Rate Sb. Nts. 1984 \$131.25 County Smile Co's lay 1,1250 Courtaulds 7%% Ln 2000/05 £3.875 Courts (Furnishers) 5.9% Cm. Pt. 2.95p Cowle (T) 1099% Cv Rd P1.5.25p Credit Fonciere de France 149% Gdd. Un. 2007 £398.75 Del-Ichi Kangyo Bk. 38% Cv. Bd. 2004 \$96.876 Daks Simpson 5% Cm. Pf. 1.75p Debenhama 6%% 2nd Db '90/95

23,125 De La Rue 2,45% Cm. Pt. 1,925p Dewvenish (JA) 3,85% Pf 1,925p Do. 4.5% Cv. 2nd Pt. 2.25p . Drayton English & Int. 51/26 Cru PI 1.9250 Do. 8.875% Cm. Pt. 4.4375p Do. 10%% Db. 2014 25.3125

istem int inv 91/4% Db 182/97 Elliott (B) 614% Db '88/93 23.25 Db. 7/4% Db. '90/96 23.625 Emhart 6% Cm. Pf. 2.1p Empire Stores 834% Db '91/98 €4,375

Engelhard \$0.15 Erskine House Cv. Rd. Pf. 3,825p Essex Water 9% & Rd Ob '97/99 £4,9375 Do. 11,2% Rd Db '05/09 £5,60 Do. 11.5% Rd Db '95/97 £5,75 Db. 11.5% Rd Db '95/97 £5,75 Db. 11.1% Rd Ob 2002/04 £5.875 Euston Centre Prop. 10.4% 1st Mig. Db. '92/97 £5,20 Ewart 8/2% Un, Ln. '90/95 £4,25 Eweter Prf. Cap. Inv. Tat. 0,838p Fidelity Distributing Money Fd. Aust. 5 Fd AS0.345 . Db. Austrian Schilling Sch7,9237 Do. Canedian \$ C\$0.3805 Do. Deutschmark DM1,2082 Do. Dutch Guilder FL1,0067 Do. ECU Ecu0,5032

Do. French Franc FFr2.3885 Db. HK\$ HK\$1.481 Do. Heisn Lira L1110.21 Do. Ideian Lira L1110.21
Do. Japanese Yen Y 38.3541
Do. New Zeeland Yollar NZ\$0.7544
Do. Spanish Peedia Part18.3905
Db. Starling 20.374
Do. Swiss Franc SFn0,7012
Do. US Dollar \$0,2222
Fideity Euro Values Eq. Lied. Un.
Ln. 2001 0.9469p
Firsbury Growth 5% Pf 2.5p
Firsbury Growth 5% Pf 2.5p
Firsbury Tst: 5.25% Pf 2.625p
Fisons 33% Ln 2004/09 22.9375
Fietcher Challenge NZ\$0.07 Fletcher Challenge NZ\$0.07 Foreign & Col Inv 596 Pf 1.75p Foreign & Col. Eurotrust 61/96 Cv.

Do. 51/1% Vo. Bd. 1996 \$27.50 Fulcrum Inv. Tst. 2.65p. GATX \$0.35 GATMOR Value Invs. 0.9225p GEC 2.68p Do. 741% Un. Ln. '88/93 £3.875 Gen. Elect. O'seas Cap. 511/4 Stg/ Dollars Cv. Gtd. Ln. '85/93 £2.75 Glynwed Int 109696 Ln '94/99 \$5.375 Govett Strategic Inv. 111/96 Db. 2014 25.75 Greinger Tst. 11%% 1st Mtg. Ob. 2024 £5.675 Great Portland Ests. 814% 1st Mig. Db. '90495 £4.125

Un. Ln. 1996 52.875 Forminster 11% Cm. Pf. 5,5p Fuji Bank 1%% Cv Bd '02 \$43.75 Fujitsu 3% Cv. Bd. 1999 \$75.0

Do. 8.5% 1st Mtg Db 2018 £4.75 Do. 10%% 1st Mtg Db 2021 £5.375 Greenelts 8% Cm. Pf. 4p Greenelts 8% Cm. Pf. 4p Greehern Tst. 61/4 Gtd Lin '88/93 23,25 Do. 89 Ghd. Un. Ln. '88/93 £4.0 Grosvenor Dev. Cap. 71/16 Cv Ln. '99 3.75p GT Chile Growth \$0.25" Haco 10%% Several Do 2017

£5,3125 Hallfax Bidg. Scty. Fitg. Rate Ln. Nts. 1996 (Ser.A) £29.18 Halma 11% Cm. Pf. 5.5p Hampton Tst. 10%% 1st Mtg. Db. 2025 £5.25 Hasternere Ests. 1014% 1st Mtg. Db. '96/03 £5.125 Hestair Cons Prods 8% Ln '85/95 £3.0 Hewetson 0.50

Higgs & His 5% Ln '89/94 £4.0 Hill & Smith 14% 1st Mtg. Db. 2000/ 03 27.0 Homer Fir. Class A Mtg. Bckd, Fitg. Rate Nts. 2028 £179,78 Do. Clase 6 5223.97 Housing Fin Crp 5% Ob 2027 52.50 Do. 7% Db. 2008 53.50

Hoyle (J) 5% Cm. Pf. 1.75p Incheape 101/7/ Ln '90/95 55.25 Incheape 101/7/ Ln '90/95 55.25 Inco Eng. 11% Db. '96/01 55.50 Investment Co. 0.5p Do. 6% Cm. Pf. 1.05p Investors Cap 74% Db '92/97

23.625 Johnson & Firth Brown 11.05% Cm. Do. 11% Un. Ln. 193/98 26,42 Johnston Grp. 10% Cm. Pf. Sp. Jones Stroud 10% Cm. Pf. Sp. Jos Hidgs. 2875p Kakuzi KSh0.50 Kelsay Inds 1143% Pf 5,825p Keystone tov. 5% Pf 1.75p Kidn Brewery Y5 Land Sec 5% 1st Mtg Ob '88/93

13.0
Db. 7%% 1st Mtg Db '91/96 53.625
Db. 7%% 1st Mtg Db '91/96 53.625
Db. 9% 1st Mtg Db '98/01 £4.50
Db. 8%% 1st Mtg Db 2025 £5.0
Db. 10% 1st Mtg Db 2025 £5.0
Db. 10% 1st Mtg Db 2027 £5.0
Db. 8%% Ln. '92/97 £3.4375
Lapons 5%% Db. '88/93 £2.875
Db. 8% 0b. '88/98 £4.0
Db. 10% 48 Db. '94/90 \$51.25 Do. 104% Db. '94/99 £5:125 Leads (City of) 131/% Rd. 2008 28.75 Leigh Ints. 6% Cv Rd Pl 3p Lon. American Ventures Tst. 4% Cm. Pl. 2p

Lon. Cremation 10% Cmn Pf 3.5p Lon. Merchant Sec. 10% 1st Mtg. Db. 2018 £5.0 Lonnto 10/4% 1st Mtg. Db. '97/ 02 05.125 Lookers 8% Cv. Cm. Rd. Pf. 4p MEPC 3.85% Cm. Pf. 1.825p Do. 8% Un. Ln. 2000/05 £4,0 Do. 9%% 1st Mtg Db 97/02 £4,875 Db. 12% 1st Mtg Db 2017 £8.0 Meraton Thomp Un. Ln. '93/98 £3.50 Martin Martetta \$0.42 McCarthy Stone 7% Cv Ln 199/04 E3.50 Merlin Int. Green Inv. 1.1p

Do Links 1.10 Mitaubishi Elect. 27/16 Cv. Bd. 2000 \$71,875 Do. 514% Cv. Bd. 1996 \$131.25 Do. 5%% Cv. Bd. 1996 \$143.75 Mortand 5% Cm. Pf. 1,75p Morte Ashby 1.7p Mucklow (AJ) 6496 1st Mtg. Db. '89/94 £3.375 Do. 1314% 1st Mtg Db '90/05 25.825 Do. 714% 1st Mtg Db '90/95 23.75 NEC 231% Cv. Bd. 2000 \$71.875 Do. 514% Cv. Bd. 1997 \$131.25 Do. 514% Cv. Bd. 1998 \$28.75 NEC Fin 10%% Ob 2018 \$2.3125 Do. 134% Db. 2018 \$2.8125

NIMC Con. Rd. Cv. Pf. 3.875p Nationwide Bidg. Scty. Fitg. Rate Nts. 1996 (Ser.2) £29.16 New Frontiers Dev. Tst. 81/2% Cv. Un. Ln. 2010 C3.25 New Throgmorton Tst. 12.8% Db. -2008 £6.30 Newcastle-upon-Tyne 1114% Rd. 2017 25.826 n 5%% Cv Bd '98 \$143.75 Do. 6% Cv. Bd. 1996 £30,0 North Devon Water 496 '96 52.0 Northern Telecom \$0.08 OK Bazzars 896 Gross Cm. 1st Pf.

Oldhem Met. Borough Council 12.4% Rd. 2022 58.20 Oliver 5.25% Cm. Pt. 2,625p Orient Fin. 8% 2/\$ Payable Cv. Bd. P & O Prop. 6%% 1st Mtg. Db. 189/ Do. 7%% 1st Mtg Ob '91/96 £3.825 Do. 8% Un. Ln. '97/89.£4.0 PCO Fin 8% Cv Cap Bd '05 2200,0

Do. 5% Gross Cm 3rd Pf. RO.05

R0.08

Peerson 8,25% Un Ln '88/93 £4,125 Do. 5,675% Un Ln '88/93 £2,6375 Do. 8,975% Un Ln '88/93 £3,4875 Peel South East 81/96 Un Ln '87/ Peel South 97 £4.125 os Mexicanos 141/96 Ln '06

Petrolege Mexicande 14½% Ln '06 \$7.25
Phoenik Timber 8% Cm. Pf. 2.1p
Portsmouth Water 3½% Perp Db
\$1.75
Do. 3% Perp. Db. \$1.50
Do. 13% Rd. Db. 1994 £5.50
Db. 10%% Rd. Db. 1994 £5.50
Db. 10%% Rd. Db. 1996 £5.3125
Prop. Hdg. Inv. 7% 1st Mtg. Db. '90/96 £3.50
Puboc 11½% Sev Db '06 £5.525
Puboc 11½% Sev Db '06 £5.525
Puboc 11½% Sev Db '06 £5.525 Public Serv, Enterprise \$0.54 RIT Cap: Partners 2.5% Cv. Un. Lr. 2000 21,25 Readfaut Int. 6% Cm. Pf. 1.05p Do. 5%% 2nd Cm. Pf. 2.0125p Do. 841% Un. Ln. '88/93 24.375 Reckitt & Colman Cap. Fin. 9.5% Cv. Cap. Bd. 2005 4.75p Renold 6'496 1st Ob '90/95 23.375 Rights & Issues Inv. Cap. 0.415p Db. Inc. 8p River & Merc Tst 81/296 Ob '89/94

Royal Bic. of Can. Fitg. Rate Db. 2005 US\$29.22 2005 US\$29.22 Royal Bk. of Scot. Ser. A Non. Cm. Pt. \$0.703125 Do. Ser.B \$0.70 Do. Ser.C \$0.58375 500 Grp. \$15% Cm. Pf. 1.575p Do. 4.55% Cm. 2nd Pf. 2.275p Db. 11% Un. Ln. '82/97 52.50 S & U Stores 6% Cm. Pf. 2.1p SEP Ind. Pf. 0.9565p St. Davids Inv. Tst. 3p Schessen ("G. 6.84 Cm. Pf. 2.9p

Salvasan (C) 5.8% Cm. Př. 2.8p Salvasan (C) 5.8% Cm. Př. 2.8p Savoy Htl 81/3% Un Ln 193/98 £4.25 Scapa 84 Un Ln. 188/98 £4.25 Scapa 84 Un Ln. 188/98 £4.0 Scholl 81/4% Př. 101/05 4.4375p Do. 514% Cv Cm Pf '01/11 2.625p Scot. Mortgage & Tst. B-14% Stppd. Int. Db. 2020 £7.0 Scot. Natt. Tst. Inc. 1.55p Db. Stppd. Pf. S.190704p Do. 10% Db. 2011 £5.0 Securicor 4.55% Ptg Pf 32,968p Sec Tst of Scot 41/9 Pf £1,575 Do. 12% Db. 2013 £8.0 Senior Eng 8.6% Ln '91/96 £4.80 Shires inv 11% CV Ln '03/04 05.50

Smith New Court 12% Sb Ln '01 £5.00 Smith St. Aubyn 8% Non Cm Pf Do. 81/14 Cm. 2nd Pf. 4.75p Smith (WH) 51/16 Cm. Pf. 2.875p Do. 3%% Cm. Rd. Pt. 1.875p South African Brews. 8.2% Cm.: Pf. R0.082 Do, 7% Rd. Cm. Pf. R0.007 Stag Furniture 11% Cm. Pf. 5.5p. Standard Chartd. 12%% Sb. Un. Ln. 2002/07 06.4375 Staveley 54% Cm. Pt. 1.8375p

Do. 714% Un. Ln. 188/83 £3.75 Starling Estates 8% 1st Mtg. Db. 188/93 £4.00 Starling Inds 51/4% 1st Pf 1,825p 31 71/4% A Db, '91/94 23,825 Do, 9% A Db, '91/94 E4,50 THEC (Indust) 5,85% R, 2020 TSB Perp Fitg Rate Nts £191.40 TSB Hill Samuel Bk. 8% Ln '89/ 84 24.00

Tootal 71/1% Ln '88/94 £3.875 Tor Inv 41/16 Cm Pf 1.6825p

2012 25.3125 Bullough 4.3p Cattyns 10% Cm, Pf. 5p Do. 81/2% Cm. 1st Pf. 2.275p Cape 8.4% Cv. Rd. Pf. 4.2p Carclo Eng 10%% Rd Pf 5.25p Chearn 7% Pf. 3.5p Tate & Lyle 81/1% Cm. Pf. 2.275p Do. 71/1% Db. '89/94 £3.876 Do. 104% Un Ln '03/08 15.375 Do. 8% Un. Ln. '03/08 £4.00 Do. Qv. Rd. PJ. 3.125p Temple Ber Inv. Tat. 8.75p Thal Prime Fd. \$1.5 Do. 3.15% 1st Pf. 1.575p

Db. 8% Cm. Pf. 2.1p Traitord Park Ests. 11%% 1st Mtg. Ob. 2007/10 55.875 Transport Dev. 84% Un. Ln. 1995/ 2000 54.625 est Silk Printers 6% Non-Cm. Treores: sam. Pt. 2.475p Pt. 2.1p Unique 4.95% Cm. Pt. 2.475p Db. 3.9% Cm. Pt. 1.95p Db. 5% Un. Ln. 191/96 £2.50

Do. 87% Un. Jr. 31/36 13:25 VSEL Constim 11% Ln '98 25:50 Victors 5% N/Cm. Ptd. 21.75 Db. 5% N/Cm. Pt. 1.75p Db. Pf. 5% 2.5p Volex 7% Cm. Pt. 2.45p Warburg (SG) 7%% Cm Pf 3.8125p Db. 8% Cv. Pt. 3p Warnur 51 81/4% Ln '91/96 23:25 Do. 41/16 Cm. Pf. 1.575; Warner Est 61/4 Ln '91/96 £3.25 Wells Fargo Fitg. Rate Sb. Nta. 2000 Westland 1216% Db. 2008 05.1875 Westpac Big, Perp. Cap. Rtg. Rate. Nts. \$175.05

Whitbread Inv. 7-12% Stppd. Int. 2nd Db. 2010 98.0 Whitbread 45% Rd. Db. '99/04 12.25
Wigtals 64% Un Ln '84/98 23.375
Wilkinson & Riddeli 5% Cm Pf 2.5p
Williams Hidgs 10%% Cm Pf 5.375p
Db. Cm. Ov. Rd. Pf. 4p
Wilson (Connolly) 8%% 1st Mtg.
Db. '90/95 24.125 Wintrust 3p Do. 1014% Cm. Pf. 5.25p Db. 5.75% Cv. Cm. Pf. 2.875p Yorks. Int. Fin. Otd. Fitg. Rate Nts.

1984 288.61 **THURSDAY** APRIL 1 AAH 4.2% Cm. Pt. 2.1p Airtours Cv. Pt. 0.873287; Aitien Hume 7% Cv Rd Pf 3.5p Allied-Lyons 9%% Ob 2018 £4.875 Do. 7%% Un. Ln. '93/98 £3.875 Do. 71/2% Un. Ln. 83.75 Do. 64/4 Un. Ln. 83.125 Do. 51/1/6 Un. Ln. 82.875 Do. 514% Un. Ln. 52,625 Do. 714% Rd. Db. '88/93 53,625 Do. 614% Rd. Db. '88/93 53,375 Do. 314% Rd. Db. '87/97 £1.825 Alied Textile 8.1p Aside Prop. 108% 1st Mig. Db. 2011 25,15825

Assoc Br Foods 8% Cm Pf 2.1p Austin Reed 8% Cm. Pf. 2.8p BET 5% Perp. Dth. \$2.50 Beldwin 3p Do. 7% Cm. PL 2.45p Bk. of Wales 131/2% Sb. Un. Ln. 195/97 £8.75 Baxter Int. \$0.25 Blick 6.2p Blockbuster Ent. \$0.02 Bridon 7% Pt. 1,225p Bristol Water 8%% Cm. Irrd. Pf. 3.54795p Bristol Water Hidgs. 6.75% Cv. Rd. Pf. 3.375p Do. 114% Rd. Db. 2004 £5,875 Do. 11.2% Rd Ob '05/09 £5.60 Do. 121/46 Rd, Db. 2004 £6.25 Brixton Est. 10%% 1st Mtg. Db. Buckinghem Int. Sec. Cv. Rd. Ln. 1995 £7.50

Cleveland Place 81/2% Rd Ob '88/

93 E3.26780

Constal Corp. \$0.10

Conversion 31/2% Ln. £1.75 Courtsuids Clothing 71/2% Cm. Pf. 2.625p Creig & Rose 5% Cm. Pf. 1.75p Crest Nicholson 51/2% Cv. Cm. Pf. Creat Nicroison 5/276 CV, Ciff. PL 2,75p Dewhurst 1,26p Db. A N/Ng. 1,26p East Surey 9,596 Rd Pf 4,75p Electron Hee 7,596 CV Rd Pf 3,75p Edital 1014% Cm. Pf. 5.25p
Fairline Boats 6.925p
First Chicago \$0.30
Flaming Conti Euro 5% Cm Pf. 1.75p
Flaming Far Eastern Inv. 5% Cm.
Pf. 1.75p Fleming High Inc. Inv. 1.45p GTE Corp. \$0.455 Gen Cons Inv 51/16 Pf 21.925 Glacco 61/4/6 Ln 185/95 1.6875p Granade 4,95p Grand Met 4%% Cm. Pf. 1.8625p Hampson Inds Cv Rd Pf '91/03 3.25p 3.25p Henson 2.85p Herdys & Hensons 6% 2nd Pf 2.1p Hollas 0.6p Hull 25% Rd. 1938 £1.25

Do. 31/4% £1.75 ITT 50.495
Ellingworth Morris 614% Pf 2.275p
Db. 614% Cm 2nd Pf. 2.275p
Impala Piathrum R0.45
Johnson Matthey 5% Pf 1.75p
Db. 8% Cv. Cm. Pf. 4p
Keystone Inv. 1194% Db. 2010/15
SS.6875
Konsteu Spreeder 2 8594 Cm. Pf. Kingsley Forester 3.85% Cm. Pf. 1.925p Kunick 7p Cv. Cm. Rd. Pf. 3.5p Do. 8.25p Cv. Cm. Rd. Pf. 4.125p Leads (City of) 131/4/6 Rd '06 £8.75 Leo 1 Class A1 Mtg. Bolcd. Ptg. Rate Nts. 2035 C1717.83 Do. Class A2 £1854.71 Liverpool 31/4/6 £0.875 Do. 3% Rd. 1942 £1.50 London (Corp. of) 3% 2007 £1.50 Low (Wm.) 6.75% CV Rd Pf 3.375p

Menzies (John) 3.8p Do. 9% Cm. Pf. 4.50 MEPC 101/2% Un. Ln. 2032 £5.25 Metropolitan Water Lambeth 3% Rd. Db. £1.50 Do. London Bridge Anna. £1.25 Do. 3% A 1963/2003 £1.50 Mid Kent Hidgs. 10% Rd. Pf. 1997 Sp Mid-Sunsex Water 12% Rd Db 2010 Do. 10% Rd. Db. 2013/17 £5.0 MITIE 1.5p Morgan Crucible 3.85% Cm 1st Pf. 1.925p Do. 3.5% Cm. 2nd Pf. 1.75p Morton Sundour 3.5% 1st Pf 1.75p Nat. Home Loans Sc. Fitg. Rate Nts. 1995 \$2.57 Owners Abroad Cv Rd Pf 4.875p P & O 5% Cm. Pf. 1.75p Pepeloo Cep. 8% Cv. Sb. Db. 1998 \$80.0 Port of London Auth. 31/4% 1949/ 99 £1,75 Property Sec. Inv. Tst. 1.5p Prowting 8.8% Cm. Rd. Pf. 4.4p Queens Moet Hises 7.5% Cv Rd Pf 3.75p Do. 104% 1st Mtg Db 2020 £5.125 RCO 9,240

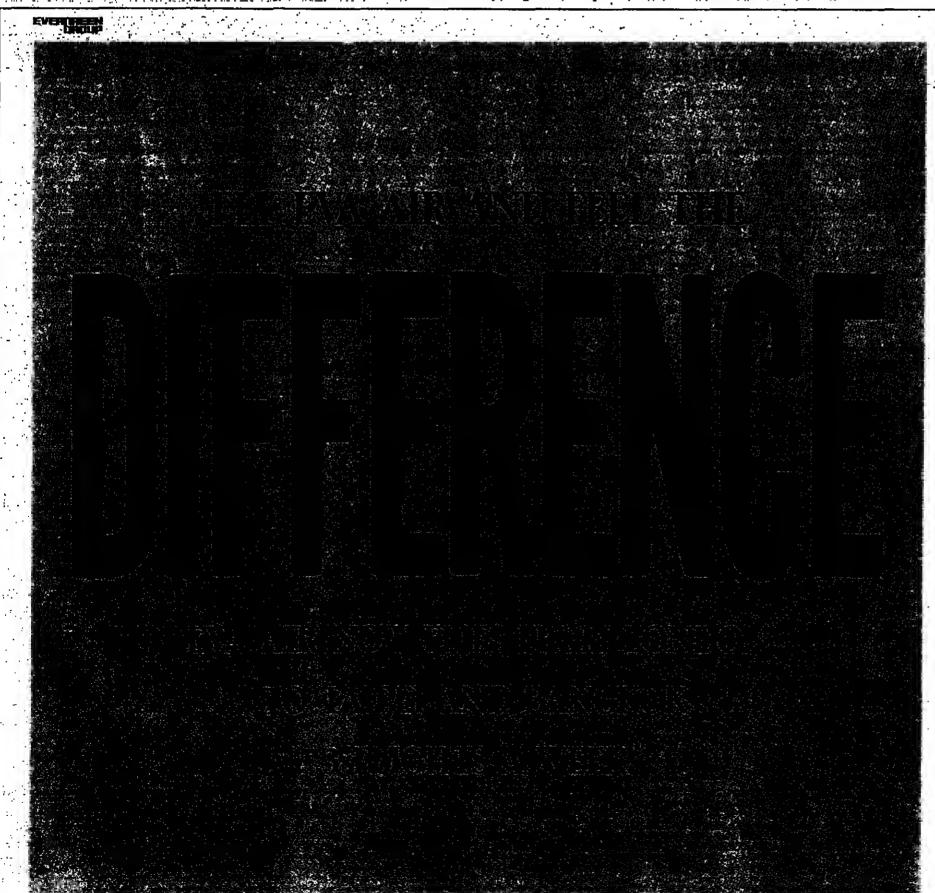
Reading Corp. 31/16 £1.75 Repote Free FM0.65 Republic New York \$0.27 Db. £2.0 Do. 71/4% Rd. Db. 181/93 £3.75 REA Hidgs Fits Rate Ln '95/98 5p Sara Lee \$0.145 Sears Roebuck \$0.40 Severn Trent 70 Shell Trens. 51/1/4 1st Pt. 1.925p Siebe 3.3275p

Smith (WH) A 4.3p Do. B 0.86p Southern Water 7.1p Southern Water 7.1p Sphere Inv 5% Cm Pf 1.75p Stewart & Wight 8% Pf 0.75p Stewart & Wight 8% Pf 0.75p 24.50 Db. 5% Perp. Db. 22.50 Dc. 11.5% Rd. Db. '95/87 '55.75 Dc. 3½% Perp. Db. 21.75 Dc. 4% Perp. Db. 22.0 Symonds Eng 7½% Pf 2.625p TR Far East Inc. Tst. 1.2p Taylor Woodrow 8½% 1st Mtg. Db. 2014 24.75 2014 24.75 2014 24.75
Thwaltes (Daniel) 5% 1st Pf 17.5p
Town Centre Sec. 101/96 1st Mtg.
Db. 2021 25.25
Tress. 21/96 (1975 or after) 21.25
Usher (Frank) 2.5p
Wade Potts 4.296 Cm Pf 1.05p Waste Mingemt. \$0.13 Wessex Water 7.3p Whitbread 51/4/4 3rd Pf 1.925p Ob. 7% Rd. Db. 188/93 £3.50 Do. 51/4/6 Irrd. Un. Ln. £2.875 Wigan Corp 3% Rd. £1.50 Willis Corroon 1.85p Witan Inv. 81494 Db. 2018 94 25 Woolcombers 71/2% Pf 2,625p Db. 6% Cm. 2nd Pf. 2.1p Worthington 0.5p Xerox \$0.75

FRIDAY APRIL 2 Aerospace Eng. 0.25p Alvis 0.5p Do. 6.5% CV NVVg Rd Pf 2.75p Amicable Smaller Ents Tat 1.7p ASDA 0.5p Banks (Skiney C.) 3p Black & Decker \$0.10 BOC 1214% Ln 2012/17 26.125 Castle Caim Inv. 0.8p Central Motor Auctions 3p EL Du Pont de Nemours 8% Nts. Dyeon (J & J) 2p Do. A NV/tg. 2p Eng. & Scot. Investors 1.25p Do. 3.75% Cm. Pf. £1.875 Excellour 0.2p Filofax 0.5p Fleming Enterprise Inv. 1.3p Fosters Brewing A\$0.0275 Gertmore American Sec. 1 Gen. Cons. Inv. 1.71p Gestetner 5.4p Heywood Wilms Cv Rd Pf 3.375p rish Contl. IR2.42p Kleinwort High Inc. 1.875p Maruetsu 6.45% Bd. 1997 Do. 6.45% Bd. 1996Y645000.0 Ransom (Wm.) 0.5 River & Merc Smilr Co's 1.25p Schlumberger \$0.30 Seacon 3.1p Second Alliance Tst. 12.5p Do. 41/19 Cm. Pf. £1.575 Sheafbank Prop Tst. 0.1p Throgmorton Tst. 1.4p Westpac Bkg. 10%% Sb. Bd. 1993

M SATURDAY Suala Lumpur Kepong MS0.10 Premark Int. \$0.25

M SUNDAY APRIL 4 BP Fin. Aust. 6% Gtd. Bd. 1993 Y60000.0 Burtonwood Brew 7% Pf 2,45p



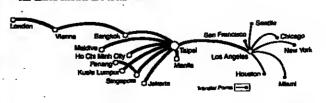
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troubled computer company began looking for a new chief executive last Janoary, they spent a great deal of time discussing the most desirable characteristics of the leader to replace Mr John Akers, who is retiring early because of the group's poor performance.

They finally fixed on a list of 11 qualities, says Mr James Burke, the non-executive director in charge of what turned into the most closely watched executive hunt in American business history.

Last Friday he disclosed the contents of the list, partly to help justify IBM's announcement that it had given the job to a man without a high technology background - Mr Lou Gerstner, the chairman and chief executive of food and tobacco group R J R Nabisco.

in an interview with the FT, Mr Burke pointed out that only one item on the list referred to technology, and then with a qualification: Information and high technology industry experience highly desirable, says the note, but not averse to considering extraordinary busi-ness leaders.'

Mr Burke added that in his view IBM's problem is that "it is not run as much like a business as it needs to be", in these circumstances, "I think I would take a highly success ful, tough-minded, strategic thinking businessman ahead of a technol-

ogist any day. "There's all the technology...that they need in this company. A lot of it gets insulated and isolated from the customers' needs, and finding a way to bring those together is going to be a major chalenge and opportunity.

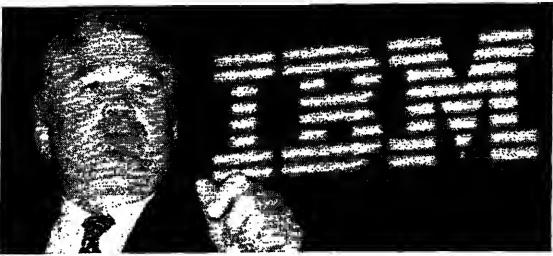
However, in spite of his remarks. industry rumours persist that several of the other candidates on IBM's sbort-list, who did come from a computer industry background, may bave turned the company down before it began serious negotiations with Mr Gerstner.

Whatever the case, controversy seems certain to rumble on for months between those in the computer industry who think IBM's problems can be fixed by a well-qualified general manager like Mr Gerstner, and those who believe it is extremely hard for someone withoot a computer background to make the hard choices facing IBM on

technology strategy.

The computer industry is changing at phenomenal speed, with shortening product cycles.

The technology issue apart, the other 10 items on the IBM wish-list are also interesting for the light they shed on the company's perception of its own weaknesses and the qualities destrable in a leader of a



# It takes a lot to be a superstar

Martin Dickson considers the ambitious wish-list drawn up by IBM in its hunt for a chief executive

global business in the 1990s. Customer orientation is prominent on the list, which is hardly surprising, since focusing relentessly on customer satisfaction lies at the heart of most modern man-

agement theories But it is much easier to religiously intone this piece of jargon that it is to execute it. IBM Itself has for years now been expressing a determination to get closer to the customer, but without much suc-

"This company," says Mr Burke, "used to be the best there was at ... satisfying customer needs. Its still pretty good in a lot of areas, but it's got to be a lot better." Mr Gerstner, as a former IBM customer himself, may bring a new perspective to the problem.

IBM'a failure to anticipate market trends sufficiently quickly prompted Mr Akers to reorganise the business last year into more autonomous units, which might react more nimbly to customer needs. Mr Gerstner, who has a history of decentralisation, aeems likely to accelerate tha trend.

 International experience. This is clearly a vital quality for the leader of any large, multinational husiness such as IBM, particularly as global markets become more and more inter-connected. Mr Gerstner has not lived abroad

in senior management positions, but he has had plenty of international experience. As president of American Express he ran a busine which is about as omnipresent around the world as IBM.

 Decisive analytical ability, creative visionary, effective and strategic thinker. These three qualities may seem basic to success in any business but they seem to have been in abort supply at IBM as it has watched a relentless decline in the mainframe market on which it built its computer fortunes. IBM has been unable to articulate a

### Eleven qualities for an IBM chief executive

☐ High tech experience ☐ Customer orientation ☐ International experience ☐ Analytical ability ☐ Creative visionary

☐ Strategic thinker ☐ Unuaual leader immediate credibility ☐ Record of success chief executive

☐ Inspires and motivates executive teams ☐ Makes change happen

clear new technological vision for itself and execute a strategy built

around this. Mr Gerstner comes to the company with a strong reputation for analysis and strategic thinking, but he may find it hard to articulate a creative vision in a high tech indus-

try which is new to him.

Onusual leader with immmediate credibility and record of business success as a chief executive. These two qualities suggest a need to appoint an individual with the record to reassure both the finan-cial markets and IBM's staff that the group is now is strong management hands.

Mr Gerstner is generally well regarded on Wall Street. While his record at RJR is far from perfect good on financial engineering, mixed at market share and profits growth - American Express enjoyed good growth under his pres-

He is, bowever, virtually unknown in the computer industry and to most of IBM's employees. whose trust he acknowledges he will have to earn.

 Inspires and motivates executive teams. This is an obvious quality for a business leader, hut it may have been in short supply at IBM, with its layers of encrusted bureaucracy. Mr Gerstner has a good reputation for motivating his executives

 both by exhortation and financial rewards. His success at IBM will depend in no small measure on the team he selects to advise him.

Mr Gerstner also talks to people at all levels of a company. IBM employees often complain about the remoteness of 'the Armonk clique' of senior management at the company's New York state headquarters. The board's wish-list seems to lay no particular emphasis on one of the more popular ideas in management thinking - that of 'empow-ering' the workforce, devolving responsibility to workers right down the line and tapping them for their ideas on how a business should be run. One of the most forceful exponents of the theory is forceful exponents of the theory is General Electric, which is often held up against lumbering IBM as an example of how a huge, diverse and technologically complex global business can stay quick on its feet.

Making change happen; skilled at managing change; strong preference for experience and proven effectiveness in major turnaround or restricturing situations requiror restructuring situations requir-ing a cultural change.

This group of characteristics

reflects the increasingly popular idea that the best way to shake up the entrenched culture of a business may often be to bring in a radical 'change agent' from ontside. A prime example is General

Motors, the US car group which has been brought low by many of the same problems as IBM - in particular, bureaucracy and complacency hed by too much past success.

Probably the most powerful single agent of cultural change at GM North America over the past year has been Mr J Ignacio Lopez de Arriortua, an idiosyncratic, Spanish parts purchasing manager brought to Detroit from GM'e European operations.

He infuriated the supply industry by demanding big price cuts and lecturing companies (including GM snbsidiaries) on ways to improve their manufacturing methods. Volkswagen, the west German car company, has just hired Mr Lopez to create a similar upheaval there.

The hard-driving Mr Gerstner has plenty of experience as a change agent, but his record is not without flaws. His task at flabby RJR, when he took over the helm four years ago, was to financially restructure the heavily-indebted business, slash its fat and grow the business. He achieved the first two, but RJR still has a bost of problems, with its foods business growing slowly and a loss of market abare in tobacco. Still, only a handful of chief exec

utives around the world would stand a chance of qualifying for the IBM wish-list. And if the phrase 'infallibility essential' was added to the list, the number would immediately drop to zero.

# When it comes to the crunch

Christina Lamb on moves to reduce road accidents in Brazil

nyone who has experienced Brazilian roads and survived can appreciate why the country holds the world record for traffic accidents. Driving licences are more often bought than earned. The results are predictably gruesome -55,000 deaths per year - as many as if a Boeing 737 dropped out of the sky every day.

This daily carnage la also a costly beadache for Brazilian industrialists who rely heavily on road freight to cover the country's continental proportions and few of whom have insurance because of its extortionate cost. Omar Car-neiro Cunha, president of Shell Brasil, says: "We bave 3,300 trucks and cars driving millions of miles on some of the most hazardous roads in the world, so the risks are enormous

As many Brazilian executives are discovering, road accidents form a large component of busi-

Yearly losses through traffic accidents are estimated at \$1.5bn (£1bn) and rising. Moreover, although the state of Brazilian roads is appalling after a decade of no investment, government sta-tistics show 85 per cent of traffic accidents are through driver fault and thus avoidable.

An increasing number of companies is consequently including as an essential part of restructuring, "defensive driving programmes" for truck drivers, (both in-house and contracted), salesforce and personnel in general with spectacılar results.

"The pay-offs are tremendous." says Cunha, pointing ont that Shell has halved the number of avoidable fatalities per 100m km driven since launching a road Safety programme in 1987.

The strategy is simple and costs little. At Shell, a safety depart-ment was set up and consultants brought in to develop a short training course. Tarcisio Mosci, who runs the programme, explains: "However good your hardware, there is a number of accidents caused by software so rather than focusing on the lorries we focused on people." A specially

produced video shows drivers the normal daily chaos on a Brazilian highway in graphic detail. enabling them to recognise all the errors they themselves make. "Monitor drivers" were

appointed, each responsible for 30 motorists. A list of 30 points was compiled to be checked before set ting off, and all drivers underwent eye-tests. Quality groups were created for drivers and Shell representatives to exchange ideas, involving senior axecutives to demonstrate the importance of the scheme. More than half the trucking companies contracted by Shell were sacked because they did not come up to scratch.

Some 800 drivers per year pass through the course, which has cut the number of avoidable fatalities from 15.6 per 100m km driven in 1987 to 7.8 by 1991. To improve on this, Mosci is setting up a programme focusing on speed control and based at regional centres, aiming to reduce the figure by a further 50 per cent by the end of

The reduction in costs is consid erable, given that Mosci estimate that even under the improved figures, Shell and its contracted com panies spent \$10m on accident costs last year. Moreover, he adds: When you can control risk in a situation as adverse as Brazil'a traffic climate, then you have good management in general."

A similar programme has been ider way since 1996 at Hering Textile, Brazil's leading textiles manufacturer, reducing losses through accidents by more than half to \$50,126 a year.

Osvaldo Lopes, risk manager for Herco, the Hering Gronp's in-bouse insurers, which developed an eight-hour programme that more than 2,000 employees have attended, explains: "The problem in Brazil, aside from the dreadful roads, is that most drivers have not been taught."

But both Lopes and Mosci admit that there is a limit to how much they can achieve in reducing accident costs without a national campaign to improve road safety awareness among Brazil's 15m

### **PEOPLE**

# Oil men move to top of Lloyd's Register

The traditional hold of shipowners in the running of Lloyd's Register, the world's oldest ship classification society, has been broken after more than 200 years.

Patrick O'Ferrall (right), 58, the new chairman, and Tim Jones, 48, the deputy chairman, both hail from the oil industry. O'Ferrall joined the register in January 1991 after 32 years in the oil industry and has been acting chairman since the death of Sir Roderick MacLeod, a former managing director of Ben Line, in January. Jones, who has spent 23 years with BP,

joined in February.

Although O'Ferrall says that it will be "business as usual", the appointment of two oil industry men with substantial international expertise suggests that Lloyd's Register, like the rest of the maritime industry, is being forced to adapt to increasingly competitive conditions.

Fine balance



The decline in the profitability of the shipping industry and competition from rival ship classification societies has made life difficult for Lloyd's, which is committed to maintaining high technical stan-dards of design. "The days when a ship's captain saluted the Lloyd's surveyor at the top of the gang-plank are long since gone, one master mariner said yesterday. Costconscious shipping companies are much more likely to question the surveyor's judgment or threaten to shift their fleet to another classification society.

Lloyd'a, a non-profit making organisa tion with 3,700 staff and more than 250 offices worldwide, is still the biggest in the world - classifying more than 8,500 vessels, or around 90m gross tonnage. How-ever, its percentage of the world fleet has been slipping and it has been diversifying into other areas.

O'Ferrall started with Iraq Petroleum in 1958 and joined Total CFP in 1974; be was responsible for co-ordinating the £1.5bn Alwyn North project. Tim Jones, a former director of BP Oil Europe, has also had considerable experience of large-scale proj-

ect management.
Although Lloyd's normal retirement age is 62, O'Ferrall says that he will serve a five-year term until June 1988.

### Finance moves

at NHS Trust The allocation of top jobs at Guy's and St Thomas' hospi-tals, which are combining to form the biggest National Health Service trust in London, shows a fine balance between the two ancient institutions. This follows the appointment earlier this month of Tim Matthews, St Thomas' chief executive, to

head the new organisation. Michael Maisey, consultant in nuclear medicine at Guy's, and Tony Young, consultant gery at St Thomas', will jointly hold the post of medi-cal director on the new board. John Pelly, finance director

of St Thomas', will be the new finance director. He worked at 3i and Rank Xerox before joining the public sector. The post of project director

goes to Karen Caines, cnrrently general manager of Guy'a. Before taking up the Guy's job in 1991, she headed the Department of Health implementation unit responsible for introducing the NHS reforms. Before that Caines was deputy head of the 10 Downing Street efficiency unit where abe was co-anthor of proposals leading to the establishment on Next Steps agencies, delivering services at arms-length from government ■ Gabriel Scally, director of public health in Belfast, has been appointed to a similar position with South East Thames regional healtb anthority, one of the four regions covering London and the home counties.

The integration of the Midland and Hongkong Bank invest-ment banking businesses looks likely to be accelerated following the news of a new chairman for Samuel Montagu. Bernard Asher has been appointed to the board and will take over as chairman on April 9, succeeding Sir Michael Palliser, the 70-year-old former permanent secretary at the Foreign Office who has chaired

Asher, who started out running Hongkong Bank's Ward-ley tovestment banking business, has already pnabed through mergers between some parts of Wardley with James Capel, the UK-based broker which he has also chaired for



the past two years. Samuel Montagu remains legally, a subsidiary of Midland, hnt in management terms now falls squarely within the HSBC group's investment banking operation. Sir Michael is to remain on the hoard as vice chairman.

■ Richard Jewitt, Alan Lynch and Gordon Williamson become northern region directors of BARCLAYS MERCANTILE BUSINESS

Shanti Sen has been

appointed a director of BZW Property Advisory Group; she moves from SG Warburg. John Kllis, formerly md of Crown Unit Trust Services, has been appointed finance and administration director of NEW DIRECTION FINANCE and NDF ADMINISTRATION. ■ Isobel Hunter and Harry Morgan have been appointed directors of ADAM & COMPANY INVESTMENT

MANAGEMENT. ■ Ross Andrews has been appointed director of ALLIED PROVINCIAL SERVICES.

# McClean: 'I just love newspapers'

Richard McClean, who is due to become chief executive of the International Harald Tribune in July, had been plan-ning to leave the newspaper industry this summer.

The deputy chief executive of the Financial Times, who has worked at the paper for 38 years, had decided to retire from the husiness, accept a number of non-executive directorships and take on something entirely knew.

But when he was approached by the co-chairmen of the international newspaper -Katherine Graham of the Washington Post and Artbur Ochs Sulzberger - of the New York Times the temptation was too great. "I just love newspapers.

That's the problem " aays



McClean, 55, who joined the FT straight from school selling advertising from the paper's Birmingham office. Apart from two years in the Welsh Guards, he has worked on the paper

ner, who has been publisher of the IHT since June 1979, and announced his intention to leave last September. McClean was involved in the decision to turn the FT into an

international newspaper with overseas printing aites. He balieves that the process should continue; the IHT, he points out, is probably the most widely available international newspaper. The owners of the IHT, the New York Times and the Washington Post, he says, are "outstanding publishers with extensive financial resources and a atrong commitment to highquality publications". And as the deputy chief executive of the FT, newspapers at the top end of the business are some-

thing he understands.

# **CONSTRUCTION CONTRACTS**

# £28m work for Mowlem



An artist's impression of the proposed upgrading of Manchester Crown Courts in Minshall Street

lor's Office, a £1.1m contract to

MOWLEM NORTHERN has won more than £28m worth of new work in the north of

Mowlem's Manchester office has won the first phase of a £13.5m project to extend and upgrade Manchester Crown Courts for The Lord Chancel-

build Coppice Junior School, Oldham, for Oldham Metropolitan Borough Council and a £582,000 contract to huild a Co-op atore at Cheadle, south

blocks at Hope Hospital, Sal-The project consists of two linked, three-storey medical

The North West Regional Health Authority has awarded

and patient accommodation blocks and a two-storey univer-

### sity teaching building Trans West African Highway scheme

Environmental and angin Nigeria in the south.

eering management consultant The project includes the eering management consultant WALLACE EVANS has been awarded two contracts in Sierra Leone and China with a total construction value of

The Government of Sierra Leone has appointed Wallace Evans for the £16m improvement of a 120 km section of the Freetown to Conakry highway the principal link between Guinea and Sierra Leone and gateway to the economically vital port of Freetown.

The road is part of the strategically important Trans West African Highway that runs

design for the rehabilitation of the 30km section between Massiaka and Rogbere and the design of a new road between Pamelap on the Guinea/Sierra Leone border and Farmoreah

in Guinea. Tender documentation for 74 km of new road between Rogbere and Pamelap, the design of which was completed in December 1992 by Wallace Evans under an earlier commission, is also included in the EC-funded study.

The superstructure for a £6.5m cable making factory in

When complete in autumn

Wallace Evans firm. Construction work is due to start ahortly on the 200,000 sq ft building, located 10 miles from Bejing. The project is a joint venture between the Chi-nese government and a South Korean cahle and wire manu-

a contract worth nearly £11m

for new teaching and medical

facturing company.

Wallace Evans has designed the single-storey steel soperstructure to withstand earthquakes. Staff undertook a detailed study of Chinese regulations, which took account of the climatic regional variations, followed by complex computer calculations to assess the stress the building

### China is to be designed by the would need to withstand. from Morocco in the north to Office development project in York

WIMPEY CONSTRUCTION'S northern region bas been awarded a £13m contract to design and build an office development for the Foss Development Corporation in

Known as The King's Pool,

the project is situated on a

three acre site close to the city

centre, fronting the inner ring

road and the River Poss.

next year, The King's Pool will house 600 administration staff from the Ministry of Agriculture Fisheries and Food (MAFF). The civil servants will provide support services to MAFF's central science laboratory in Sand Hutton which is currently under construction. The department is creating 300 local jobs and relocating

300 other staff from its offices in the south east of England to York.

Wimpey's work involves the

construction of 140,000 sq ft of office accommodation in three buildings and a three-storey car park. Wimpey will also fit out the offices for MAFF. Project manager for the is Biaboptborpa scheme

# Bucknall **Austin** active

BUCKNALL AUSTIN bas recently landed four German project management or quantity surveying commissions on projects collectively valued at

more than £60m. At Bucknall Austin's German subsidary, Day & Grigg GmbH, new commissions

include A new multi-level shopping centre in a converted listed building in Dresden valued at about DM40m (£16.5m) where Day & Grigg GmbH is sole consultant covering project management, costing and design co-ordination.

 A 200,000 sq ft district shopping centre outside Cologne where Day & Grigg GmbH is providing project management and quantity surveying ser-

• A 40,000 sq ft speculative office and apartment building in a prime location in Berlin is scheduled to commence in

● A DM20m (£8.3m) office and apartment acheme in Frankfurt for which the firm has been appointed as project man-

### Water treatment

TRAFALGAR HOUSE WATER PROJECTS companies, Trafal gar House Construction and John Brown Engineering, have been awarded an £11.5m contract to replace three water treatment plants for the Strathclyde Regional Council They are in the south Glasgow area, at South Moorhouse, Neilston and Picketlaw, and will be capable respectively of supplying 7m, 4.1m and 10.4m litres daily.

### RAF headquarters

TILBURY DOUGLAS CON-STRUCTION has won orders worth £20m. The Ministry of Defence has appointed Tilbury
Douglas as project manager for
a 55m headquarters hullding af
RAF High Wycomhe. The building will provide office facilities for defence staff, together with auditorium and conference rooms with simultaneous translation facilities. The London Borough of Islington has placed a Lim order for general improvement works at the Packington Estate.

Blood Wedding

ook East seems to be the motto of the moment. The inaugura-tion last week of the headquar-

ters of the European Bank of Reconstruction and Development, in

one of the recently completed office

approach to the entrance of the bank on Exchange Square from the station is an elegant route called Great Bastern Walk? The role of the bank is to foster development and democracy in the newly liberated countries of eastern

and central Europe, and as Mr Jaques Attali, the inspiring president of the Bank, said at the inauguration, "Europe is awakening to the east." in the same

week Michael Howard, secretary of

proposals for the development of an East Thames Corridor along the

marshy and polluted banks of the

Thames from Beckton to Sheerness.

The question of how best to awaken London to the east is almost as difficult

a question as how to achieve the rejuve-

The importance of the European

Bank and the wonder of it being in the City of London was underlined in a

very positive speech by HRH The

Prince of Wales when he inaugurated the new headquarters. He praised the decision of the bank to establish a new

European Cultural Fund and took the

opportunity to announce his own joint initiative with President Havel of the

Czech Republic to create a Prague Heri-

tage Fund for the restoration of some of

the buildings, monuments and gardens of that remarkable city.

All this noble rhetoric seemed well

grounded because it was issuing forth'

in the fine new halls of what Mr Attall called, "the first pan-European institu-

tion of the post cold war era". If the

actual architecture of the interiors of

the new bank is anything to go by, the

new Europe promises to be both cultur-

nation of eastern Europe

state for the environment, annou

ARCH 29 1993



The new European Bank in London has a building to live up to, writes Colin Amery

Inventive interior: columns are clad in rough metal casings

entrance level with an exhibition area

will be open to the public. (Its first big exhibition will be a display of religious masterpieces from the State Museum of

Sacred Art in St Petersburg, opening in

A large auditorium will house confer-

ences and lectures and will also be the

setting for a series of cultural events sponsored by the bank. A line of flags of member countries leads to the dra-

matic false perspective on the way to

cases have been installed to encourage

easy communication batween the

departments that work together to

avoid dependence upon the well used

lifts. The smaller top three floors house

the president's office, the boardroom

and the executive dining and meeting rooms. Many of these have remarkable

views over Spitalfields and east Lon-

don. Looking down on the immediate

neighbourhood of the former Spital-fields market, which is dominated by the magnificent tower and spire of

Hawksmoor's Christ Church, it is hard

to resist the idea that this should

become the newest residential area of

he 12 floors of offices have been planned to relate to one

another both horizontally and

vertically. New internal stair-

the staff restaurant.

ally stimulating and incredibly chic.

The architects for the interior of the building are an Anglo-French design team, a partnership of Berthet et Pochy and Sidell Gibson. They have achieved the remarkable feat of fitting out in record time a building designed by the American architects Skidmore Owings and Merrill for developer Mr Smart Lip-ton (in his Rosehaugh Stanhope days). Broadgate development. What struck me as particularly exciting was the way they have completely transformed the whole idea of a banking environment. Their brief from the president was to give a visual rendering of the diverse nature of this international institution while making it possible for the open teamwork of the operation to function efficiently. The result is no cold and clinical rou-

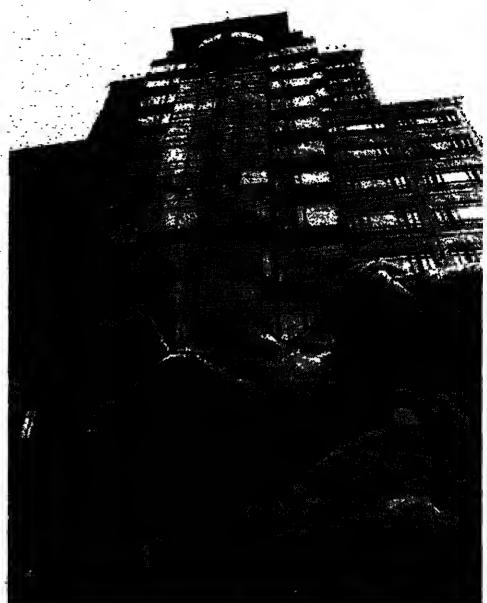
tine set of offices but an open and sparkling world with inventive spatial planning and an atmosphere that is visually stimulating. The tone is set by the entrance hall - a great mirrored space linking the Bishopsgate and Exchange Square entrances. The ceiling is mirrored to reflect the marble floor and the bewn slabs of Carrara marble that have been placed between the lifts. There are plans for a video wall and a piece of the Berlin Wall to be at the Exchange Square entrance. The cafe at the

the City instead of another sea of offices. Residential developers - look

ast. The main office floors have a rather tacular sense of space - and beautiful light sycamore furniture from the British firm of Gordon Russell. Meeting rooms are circular with red doors all named after the rivers of Europe. Tea and coffee areas are screened by glass panels etched with entertaining designs. There are some enjoyable jokes in the bizarre conical and pyramid sign-posts and the signs in the lobby areas which are engraved in reverse and look Cyrillic until you read them the right way round in the mirrored ceiling. When columns appear in large open spaces they have been dramatically clad in very tactile rough metal casings

The top floors have a restful and simple quality - the emphasis here is on the quality of the materials and the display of some of the bank's art collection. The dining rooms bear the names of European composers and some will display memorabilia associated with the composers. Semi-precious stones from the Urals, artefacts from eastern Europe, paintings and sculptures combine to give the new offices something of an international intellectual content. The Italian government have given a series of Piranesi engravings, the devel-opers have given the brilliant lion sculpture by Jane Ackroyd. A giant fresco by a Russian, Polish and French group of artists will shortly be unveiled. and a sculpture by Cesar has already been lent by the artist. The high quality and the originality of the commissioned art works have already given this new building a unique and distinguished character.

The European Bank is indeed welcome in London as a crucial and inventive catalyst for the new Europe. If the creative atmosphere of culture and commerce, which is so evident in the new beadquarters, is indicative of its approach to the rejuvenation of formerly communist Europe then the



future in the east will indeed be bright. A bronze statue by Fernando Botero marks the approach to the European Bank

Theatre

# **Blood** Wedding

Blood Wedding (1933) is the earliest of the "Spenish Earth" trilogy by Frederico Garcia Lorca (1898-1936), preceding Yerma (1934) and The House of Bernardo Alba (1935). Its vio: lence is wedded to a surrealism that connects Lorca and his other work to the wider influ-ences of 1920s Madrid and the specific influences of his friends Salvador Dali and Luis

The Lyric Hammersmith (with Odyssey Theatre) has now staged a fine, powerful and unsettling production of the play by balancing its trag edy and surrealism.

Lorca wrote Blood Wedding from a 1928 newspaper report of a Granadan bride who eloped with her lover on the wedding night. Her family pursued them; the groom and the lover killed each other. Behind the violence lie old family vendettas, and above it surreal preternatural forces: blood, death, time. Garcia Marquez used the same resonant themes in Chronicle of a Death Foretold, set in a small Colombian

The strength of the Odyssey Theatre's Blood Wedding comes from its collaboration with Cumbre Flamenca. The music and dance fill out the concentrated action on the large stage at the Lyric. The flamenco brings mystery and intensity as well as authentic



Powerful and unsettling: Rosalind Bennett and Patrick O'Kane in Blood Wedding

"cante jondo" (deep song), sadness and joy in a poised hand or a turned head, Ian Davies' fine guitar accompaniment creates the atmosphere, confuring . a hot July in Granada from a cold March to Hammersmith.

The play's surreal second part, where Death and the Moon preside over the bride and her lover, is beautifully handled by Helen Turner's design and Peter Mumford's lighting. The naturalistic hocienda interior of the opening gives way to a vertiginous effect with columns of light and falling sand, as if the stage itself was dropping away from gravity and reality towards the strange henediction and

Nigel Jamieson's direction lets each of Lorca's tense. unfinished scenes engender the next, so the play develops rhythm and pace. The balance of a Lorca scene can change quickly, so pared down is the writing. He wrote strong parts for women, and the actors here respond well. Frances Tomelty (substituting at short notice for Sofia Kalinska) as the groom's mother is a stern, terse woman in a hard world, the crack in the strong voice with "My tears will come when I am alone." Opposite her, Rosario . Serrano as the Mother-in-Law

between song, dance and speech; and Rosalind Bennett is a urim bride in black, a sexy lover, and a desperate fugitive. However, the patchy translation misses Lorca's visceral expression. "Aren't you happy with so many riches heaped upon you?" looks mannered alongside the bleak picture of marriage elsewhere: "A man,

feet thick Nothing more." **Andrew St George** 

some children and a wall two

Lyric Theatre, Hammersmith Hammersmith perfection with forethought.
until April 17 Yet in the event, their differ-

### Concert/Andrew Clements

# Stravinsky and Janáček

Stravinsky's Symphony of Psalms and Janaček's Glagolitic Mass compare and contrast wonderfully in a choral programme. It is not just the juxtaposition of a great composer with a lesser light, nor the devoit expression of faith of a gnostic against the instinctive humanism of a confirmed atheist. These two pieces written just four years apart (the Janaček first in 1926) provide vertiginous differences of approach - the symphony's chaste discipline, the Glagolitic's freely associating explolons of emotion - it is often hard to believe they are such close contemporaries.

instalment of "Towards the Millennium" brought the two works to the Festival Hall with the City of Birmingham Symphony Orchestra and its Chorus, conducted by Simon Rat-tle. Both were intense, vivid performances - representing the very best of Rattle one is tempted to say - with the Chorus, singing the mass from memory, wonderfully prepared and ready to respond crisply to every nuance. If anything it was the Stravinsky that emerged the more freshly minted; Rattle sifted and graded the textures of the first On Saturday the latest of the second, and gave an ardson) an easier ride.

Apollonian elegance to the repetitions of the third. The expberance of the Janaček was captured in a very different way, with saturated orchestral splendour - bold, abrasive brass, high tensile strings, explosive organ solos from Thomas Trotter - and a willingness to play for high expressive stakes. Moments of over-exuberance sometimes threatened to overwhelm the soloists, but Faye Robinson's soprano, a-quiver with fervour,. and John Mitchinson's stentorian tenor usually survived. while the textures generally movement with pinpoint accu- gave the meszo (Ameral Gunracy, untangled the fugal knots son) and bass (Stephen Rich-

The orchestra had begue with Schoenberg's Variations for Orchestra Op. 31. Rattle steered a lucid course through its structural intricacies, making perfect, elegant sense of the variations themselves and bringing a real sense of mounting drama to the finale, as one development section collapses in on the next. Every particle of the instrumental playing was alive, sharp etched; it was just the gripping prelude, though, to an evening that was outstanding to every

> Royal Festival Hall; final London concerts tomorrow and Thursday

When the Wigmore Hall advertised a recital of Russian two-piano music by Dmitri Alexeev and Nikolai Demidenko for last Saturday, some of their fans may have felt anticipatory thrills. But cyni-cal old hands like me had their doubts. Part of what makes a successful virtuoso is a sinple-minded determination to catch the ear, such performers usually collaborate more easily with other instruments than with their own kind. Besides, Alexeev and Demidenko would seem less than a natural match. Where intense feeling and spontaneity characterise

the one, the other cultivates

# Recital/David Murray Russian piano duo

ences were all but submerged in a shared passion for their native repertoire.

Though the occasion for the concert was the 50th anniver-sary of Rakhmaninov's death, there is not quite enough twoplano music by that composer, fortunately, to fill a programme. That made a good excuse for tettisoning his Suite no. 1 and adding some unfamiliar Medtner, and a chain of Schubert waltzes as arranged by Prokofiev. But Rakhmaninov carried the evening after

all; and a tingling account of the brilliant Second Suite was certainly the crown of it. His early Russian Rhapsody (1891) was at least interesting for its debt to Balakirev and

Borodin, St Petersburg nationalists whose echoes were more often suppressed in Muscovite products such as Rakhmaninov's or Skryabin's. In the twopiano version of the Symphonic Dances (1940, very late), some quirks in the harmony sounded less plausible than in their opulent orchestral dis-

guise, Still, with playing of such devoted expertise one could only sit back and enjoy. Here and there, when Demidenko had an "accompanying" role his awesome authority made him rather too prominent, and in some prestissimo digital passages Alexeev audi-bly scrambled. No other quibbles but to remark that biological piano duos -Kontarskys, the Contiguglia twins, the sisters Labèque and Pekinel - have set a standard of eerie unanimity that few other pairs can reach. Here, at phrase-ends and paragreph closes, Alexeev and Demidenko were regularly a fraction of a second apart: they just are different musical animals.

# INTERNATIONAL

**BERLIN** Deutsche Oper The main event this week is a revival of Carmen on Wed starring Agnes Baltaa and Neil Shicoff (also April 5, 12, 18). The repertory also includes il trovatore tomorrow, Valery Panov's production of Prokotley's ballet Cinderella on Thurs, a ballet mixed bill with choreographies by Michael Clark, Stephen Petronio and Bill T Jones on Fri and Madama Butterfly on Sat. Peter Schaufuss production of Giselle receives two performances on Sun (341 8249) Staatsoper unter den Linden Antonio Pappano conducts the first night of Giulio Chazalettes' new production of i Capuleti a 1 Montecchi on Fri, with a cast led by Lella Cuberli, Iris Vermillion and Vicente Ombuena (repeated April 5,7,11,14). Other events this week include the Nursyev production of Sleeping Beauty tomorrow and . Thurs, Alda on Wed and Sat with

new ballet production on Sun. April

8: Thomas Hampson song recital

(200 4762) Komische Oper Tonight: Le nozze di Figero. Tomorrow, Sun, next Mon: new production of Flemming Flindt'e ballet The Three Musketeers. Wed: Bartered Bride. Thurs: Cosi fan tutte. Fri: Cav and Pag (229 2555) . CONCERTS Schauspielhaus Tonight: Heinz

Rögner conducts Berlin Radio

Orchestra in Mahler's Seventh Symphony. Also tonight (Kemmermusiksaal): Kathleen Battle song recital. Wed: Daniel Nazareth conducts MDR Symphony Orchestra in works by Beethoven end Bruckner, with pieno soloist Justus Frantz. Sat, Sun, next Mon: Yoel Levi conducts Berlin Symphony Orchestra in works by Beethoven and Bruckner, with plano soloist Christian Zacharias (2090 2156) Philiharmonie Tonight: Hiroshi Wakasud conducts Berlin Radio Symphony Orchestra in Messiaen's Turangalila Symphony. Sat: Mischa. Majsky is cello sololst in a Schumann concert by RIAS Youth Orchestra, Sun: Dvorak's Stabat Mater (2548 8232) THEATRE

Alfred Kirchner directs Peter Turrini's new play Alpengiühen at Schlosspark Theater (793 1515). Schiller Theater's repertory includes Katharina Thalbach's new all-male production of Shakespeare's As You Like It (312 6505): Deutsches Theater has The Iceman Cometh, Eugene O'Neili's majestic play about pipedreams gone sour, in a new production directed by Rolf Winkelgrund (2844 1225). DT-Kammerspiele has the first German production of Howard Brenton'a Berlin Bertie (2844 1226).

Ariel Dorlman's moral thriller Death and the Malden opens at directed by Gerhard Klingenberg (312 4202). The world premiere of a new musical about Mariene Dietrich opens at Theater am

Kurfürstandamm on April 7 (251 Tickets and information for theatre, revues, concerts and nightclub shows available from City Center Theater und Konzertkasse Kurfürstendamm 16 (tel 882 6583 fax 882 6567) and Theaterkasse Im Europa-Center (tel 261 7051 fax

### NEW YORK

261 92861

THEATRE Candida: Shaw's play directed by Gloria Muzio. Just opened (Roundabout, Broadway at 45th

Shiner are the inspired clowns in . a much-admired show (Richard Rodgers, 226 West 48th St, 221 1211 A Couplé of Blaggards: actors Frank and Malachy McCourt

Fool Moon: Bill Irwin and David

reminisce about their trish childhood firish Arts Center, 553 West 51st St. 757 3318) Olsanna: David Mamet's powerful new play which stirs ideologues (Orpheum, 126 Second Ave at 8th St, 307 4100) ● The Sisters Rosensweig: Wendy Wasserstein's new play about the reunion in London of three American

Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200) Forbidden Broadway 1993: collection of Broadway parodies is as funny as its predecessors (Theatre East, 211 East 60th St, 838 9090)

222 West 45th St, 239 8200)

Metropolitan Opera Tonight and

Jo and Alfredo Kraus. Tomorrow:

with Gwyneth Jones, Mechthild

with Tiziana Fabbricini and Neil

Rosenshein (382 6000)

OPERA/DANCE

Someone Who'll Watch Over

Me: Alec McCowen as one of three

Beirut hostages in Frank McGuiness

moving and humorous play (Booth,

Fri: Lucia di Lammermoor with Sumi

James Levine conducts Die Walküre

Gessendorf, Gary Lakes and James Morris. Wed and Saf: La traviata

State Theater San Francisco Ballet begins a week-long residency tomorrow with Helgi Tomasson's

production of Swan Lake, followed

by three mixed-repertory programmes including Bintley's The

Sons of Horus, Forsythe's in tha

middle and Balanchine'a Four

CONCERTS

Seasons. New York City Ballet's

Spring season opens on April 22

Tomorrow's programme at Carnegle

Hall is Bach's B minor Mass. Wed:

Australian Chamber Orchestra with

guitar soloist John Williams. Frf:

Hermann Baumann horn recital.

Sun: Jessye Norman song recital

(247 7800) Sun afternoon at Avery Fisher Heit: Yefim Bronfman piano

is on tour in Europe (875 5030)

Blue Note Tornorrow till Sun:

JAZZ/CABARET

St, 475 8592)

recital. The New York Philharmonic

Maynard Ferguson. Next week: Tony

Williams Quintet, Showtimes 21.00

and 23,30. Dining (131 West 3rd

Ballroom Dave Frishberg opens a residency tomorrow. Restaurant/

begins a month-long run tomorrow in the Oak Room. Dining (59 West 44th St, 840 6800) Michael'a Pub Mickey Rooney is currently making his cabaret debut

### **PARIS**

**OPERA/DANCE** Châtelet Tonight: final performance of Barenbolm/Chereau production of Wozzeck (4028 2840) Palais Garnier Tomorrow: final performance of Capriccio starring Felicity Lott. Next week: Compagnie Preljocaj (4742 5371) Opéra Bastille Wed: Benvenuto Cellini with Chris Menitt and Diana Montague, Frt: Faust with Francisco Araiza, Barseg Tumanian and Nelly Miricloiu. Next Mon: revival of Bob Wilson's production of Die Zauberliöte (4001 1616) Théatre de la Ville Compagnie Christina Bastin presents two Bastin choreographies, daily from tomorrow till Set (4274 2277) CONCERTS

Théâtre des Champs-Elysées Tonight: Kurt Masur conducts New York Philharmonic Orchestra. Tomorrow: Sandor Vegh conducts Camerata Academica in symphonies by Mozart and Schubert, Thurs: Ivan Fischer conducts Orchestre National de France in works by Prokofiev and Bartok, with pland sololst David Lively (4720 3637) Châtelet Wed lunchtime: Elena Bashkirova piano recital. Wed evening: Daniel Barenboim plays

tapes bar (253 West 28th St, 244 3005)

Algonouin Hotel Weslia Whitfield

here (211 East 55th St, 758 2272)

### 61 Boulevard Gouvion St Cvr. 4068 Châtelet Auditorium Tomorrow: Hank Jones Duo. Wed: Stanley

Cowell Trio (4028 2840)

Schubert. Thurs: Fine Arts Quartet.

Frit Jordi Savall plays Spanish early

and Berg. Next Mon: William Christie

music. Sun afternoon: Ensemble

InterContemporain plays Bartok

motets by Guillaume Bouzignac

Lionel Hampton Jazz Club Ann

Peebles, voice of St Louis soul

music, daily till Sat. Music from

22.30 (Hotel Meridien Parie Etoils

directs Les Arts Florissants in

JAZZ/CABARET

THEATRE L'Homme qui: Peter Brook's latest theatre piece, adapted from the book by Oliver Sacks (Bouffes du Nord 4607 3450) John Gabriel Borkman: Luc

Bondy's Ibsen production (Théâtre national de l'Odéon 4441 3636) li Campiello (Fin d'été à la campagne): a Goldoni bicentenary production of the play he wrote five years before his 1761 Country trilogy. Till Mey 6 (Théâtre 14, 20 ave Marc Sangnier 4545 4977) ART FAIR

Salon de Mars: tha annual art market at Champ de Mars opens on Wed and runs till next Mon. Held under a vast tent covering 10,000 square metres, it offers an eclectic choice of antiques, contemporary works and primitive art, disregarding the compartmentalisation of the traditional fair (Place Joffre, métro Ecole militaire)

A 24-hour recorded telephone guide to Paris entertainments is availabla in English by dialting 4720

Enropean Cable and Satellite Business TV (All times are Central European Time)
MONDAY TO THURSDAY

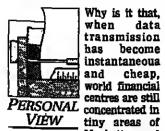
Super Channel: European Business Today 0730; 2230 Monday Super Chennel: West of Moscow 1230 Super Channel: Financiel Times Reports 0630 Wednesday Super Chan-nal: Financial Times Reports 2130 Thursday Sky News: Financial Times Reports

2030; 0130 Friday Super Channal: European Business Today 0730; 2230 Sky News: Financial Times Reports 0530

Saturday Super Channel: Financial Times Reports Sky News: Weet of

Moscow 1130; 2230 Sunday Super Chennel: West of Moscow 1830 Super Channek Financial Times Reports 1900 Sky News: West of Moscow 0230; 0530 Sky News: Financial Times Reports 1330; 2030

Arts Guide Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. sday: France, Germany, Scandanavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.



transmission and cheap, world financial centres are still tiny areas of Manhattan and

central London? Why is entertainment such a central element in Japanese business culture? Why is it that the way to revive the British motor industry is to shut down most of its traditional plants and re-start on greenfield sites? Why are the most successful parts of Italian industry based on local networks of small, co-operating companies? And how did banks manage to lose quite so much money in the past two

The answers to all these questions are to be found in the different styles of business contracts and relationships that companies employ, and in the ways these depend on history and social environment. Long-term contracts are needed when parties need to make a substantive commitment to the relationship. A company needs to fit out an office to its specific needs; a sub-contractor needs to tool up for a particular component, an effective professional adviser needs to invest in knowing his client. No ooe will make these commitments on the basis of spot contacts alone.

One possibility is to make a classical contract - s binding agreement which specifies what will happen in every foreseeable contingency. That is how we rent property. But is has disadvantages. Not all contingencies are foreseeable. And there are aspects of a commercial relationship which the courts cannot, or will not, enforce. No contract can effectively prescribe for the full e of information or for flexibility in response.

There is a difference between the degree of co-operation which can be enforced by rules and the wholeheartedly concerted action of two individuals or two companies. It is the difference between a relationship with the local telephone company and the relationship with a marriage partner. We make a classical contract with has an attorney at his shoul-

tional contract with the other. The relational contract will have a legal form (as the marinstantaneoua riage contract does), but (as with the marriage contract) it does not incorporate the essential elements of the relationahip. These elaments are implicit, and are enforced, not by any legal process, but by the need of the parties to go on

doing business together. Relational contracts are important in husiness too. They are necessary in areas where information exchange is important and where quick and flexible responses are necessary. That is why they matter in the financial services industry, in fashion businesses and in industries which assemhle the products of a wide range of independent companies. They are the key to the competitive advantages of such companies as J.P. Morgan and Cazenove, Benetton and Chris-

There are aspects of a commercial relationship which the courts cannot, or will not, enforce

tian Dior, Toyota and Marks and Spencer.
Relational contracts involve

risks as well as rewards. Each party is exposed to the risk of opportunistic behaviour by the other and the only protection they have is the reputation of the other and the shared need for a continuing relationship. The ability to make relational contracts effectively depends on the environment in which the company is placed. It is easier to make relational contracts when the relational style is the norm, safer to do it with someone who has made many other relational contracts.

The Japanese business culture is naturally supportive of relational contracting and the familiar pillars of Japanes management systems, with their emphasis on seniority, their practices of lifetime employment and their networks of sub-contractors, are all part of that. The American environment, in which the penalties for opportunistic behaviour are very low and everyooe

Italy is at one European end of this spectrum and Britain at the other. Geographical concentration and linking of social activities with commercial ones is important. Opportunistic behaviour is more costly if it damages your social as well as commercial reputation.

Relational contracting is not all good. The features of Japanese and Italian life which make these types of business behaviour possible are also reflected in nepotism and political corruption. Life run by unwritten rules can be constraining on talent and inhibiting on innovation.

The US – an individualistic society founded on immigrants who bad discarded many traditional values - provides the most innovative technical and commercial environment in the world. It is also the most litigious society, and competi-tive advantages based on design and style, or on the sustained co-operation of a disciplined labour force, are mostly found elsewhere. There are husiness areas where relational contracting is appropriate, and others where classical contracting performs better; we need to know which is

Yet we may not have a choice. It is easier to move away from relational contracts than towards them. UK banks were ready to discard such contracts with their customers and employees in the pursuit of a more commercial, performance-oriented transactional style of business. They paid a high price, but they cannot now put these relationships together again. Nnr could Longbridge and Cowley substitute the co-operative history of Toyota's plants for their own. For many people relational contracts seem an old-fashioned way of doing business. in reality it is a style of commer-

**Iohn Kay** 

The author is professor of economics of the London Business School, His book, Foundations of Corporate Success, has just been published by Oxford University Press, price £19.95

cial relationship which we dis-



Too many bodies s London's government heing privatised? This morning a private-sector

organisation - with the hlessing of the eovironment secretary, Mr Michael Howard will publish plans to promote London as a location for business and an international tourist centre.

Tha proposals will be launched by London Forum, a private-sector initiative to provide the UK's capital with a shop window in which the city's wares can be set out to

The forum is a sister organisation to another private-sector body, London First, which aspires to provide the strategic thinking needed to maintain and enhance the reputation of London as a world-class city.

The organisations share a chairman, Grand Metropolitan's Sir Allen Sheppard, and a chief executive. Mr Stephen O'Brien, vice-president of Business in the Community. Both are attempts to fill the vacuum left by the absence of an elected city-wide or regional body to represent London and to develop the strategic planning essential for a large city. A string of reports, from organisations such as the now-defunct National Economic Development Organisation, have repeatedly identified the absence of such a body as an impediment to improving London's competitive position as a

world city.
The absence of strategic planning is potently symbolised by the state of the capital's transport infrastructure. Indisputably, transport is one of the most important ingredients in making a city an efficient and agreeable place in which to live and work. Yet in London, public transport is perceived as overcrowded, unreliable, underfunded and overpriced; on the roads, only ssion has stopped congestion from bringing traffic to spoil the broth

John Willman and Richard Tomkins look at the duplication of effort in promoting London

the brink of paralysis. Inevitably, Londoners look to neighbouring capitals for comparisons. When they do, they find London scoring badly. Paris, for example, may suffer aven worse traffic jams than London, but Londoners can only stand in awe of Paris's commitment to public trans-

Not only is the Metro more frequent and reliable than the Underground, but three crosscity lines have been built since 1987, a fourth is under construction, a fifth is planned. and FFr71bn (£8.9bn) is due to he spent as part of an expansion plan spanning the next 20

By comparison, investment in new transport capacity in central London has virtually halted. Road building has long been ruled out as a solution to the capital's transport problems, but little has happened to take its place. The bus fleet is ageing, tha Underground system is decaying faster than it is heing recewed, and apart from a sbort stretch of the Jubilee Lina, only one new Underground line (the Victoria line) has been built since the

first world war. Central Londoners can only look with envy at examples of what the government can do when it tries, in the Docklands area on the capital's eastern flank, some £3.5hn is being spent on a co-ordinated effort to stimulate regeneration

through hig improvements in transport infrastructure.
And further east, the government is now talking of developing a linear city down the east

Thames corridor stretching from Docklands into north Kent. This means further vast sums will need to be spent on roads and railways outside the central area. To many, this looks perverse: a sort of transport equivalent of adding a luxurious new extension to a Last year tha government sought to counter accusations

Investment in new transport capacity in central London has virtually halted

that it had no policies for transport in the centre of the capital by appointing Mr Steven Norris as minister for transport in London.

Mr Norris reels off a list of projects that he says will transform London's public trans-port: CrossRail, the Jubilee Line extension, Thameslink 2000, the East London Line extension, the Channel tunnel rail link, the Heathrow Express, the Chelsea-Hackney line. And he rejects suggestions that Paris does things better. This idea that everything is better across the Channel is simply untrue."
The capital itself, however, seems far from convinced. A report published by the Corporation of London, the local authority for the City of Lon-

don, earlier this month pointed out how tha decision-making process on new transport projects was split between a "stag-gering" number of government dapartments, quangos, borough joint committees, representative organisations and the London boroughs themselves. Once agreed, the report said, these projects then becama subject to the vagaries of the national public expenditure control process

There is little evidence that new central government arrangements have yet succeeded where earlier planning and governance systems failed," it concluded.

The creation of private sector bodies such as the London Forum and London First is seen as the way forward by the government. To hack its efforts, a cabinet subcommittee on London, chaired by the environment secretary, was created last year to co-ordinate

However, the creation of mnre bodies to promote the capital looks set to perpetuate the division of effort between disparate, sometimes overlapping and occasionally competing organisations, none of which can claim leadership. Already there has been some

tion over the duplication of effort created by the plethora of bodies.

One of London First's projects, for example, is a study of London's economic competitiveness, under a group chaired by Mr Stuart Hampson, chairman of the John Lewis Partnership, the retailer. The corporation is almost half-way through a £1.5m study on the same subject by the London Business School, which is producing a steady stream of

papers such as the transport one already published. Similarly, the corporation cannot be a formal member of the London Forum, since Mr Howard excluded local authorities from membership. Yet the corporation is one of the few bodies in London which can provide substantial funds, staff and other resources for the Forum's work.

Mr Michael Cassidy, chairman of the corporation's policy and resources committee, says that there is a danger that Loudoners will be disappointed if the new body cannot launch its plans with an element of punchiness because it has no resources. They will he bringing "little new to the party", he says, except for added profile.

However, such arguments over turf beg the bigger ques-tion as to whether it is appropriate for such important strategic planning to be left to private sector organisations without adequate resources.

London First, for example, is backed by some 40 companies, each of which has chipped in £5,000 apiece to fund its work. These sums are paltry in relation the amounts which would be needed to address London's underlying problems.

This privatisation of London's governance will only work if it opens the Treasury's purse strings. It has yet to he

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax far finest resolution

## A waste of energy

From Dr Andrea Howorth.

Sir, In the FT of March 25 you carried an advertisement for British Gas entitled "If you need to complain it won't be a waste of energy".

The list of 90 general manag-ers established in local offices last year is entirely male (with the possible exception of Laurie and/or Robin). I would like to complain about this - but I feel it would be a waste of

Andrea Haworth, centre for research on organisacal change, Manchester School of Manage-

UMIST, Manchester M60 IQD

### Not wanting fool's gold

long ago, the west was backing one side in its desire to estab-lish a system which it pre-

Then it was Mikhail Gorba-chev in the Soviet Union, now it is Boris Yeltsin in Russia. When is the west going to stop trying to impose its own system in other lands?
The Russians must be fed up

- continuous promises of assistance and nothing forthcoming. Nothing, that is, except meddling in their internal Capitalism and damocracy

will only ever become ingrained if the Russian people

themselves are committed and become accustomed to these ways of life voluntarily. if they look at how capital-ism and democracy are func-tioning in other parts of the world they may not consider worthwhile the hardship which they have to undergo to get

The west should lead hy exampla not by intervention. Until it does, when the time comes for people to look for bright torches to follow, they will by-pass the western fool's gold and prospect elsewhere. Onesimo Alvarez-Moro,

# Clear duties and penalties the route to auditor independence

From Mr Derek Ridyard.
Sir, Prem Sikka, Anthony
Puxty and Hugh Willmott (Accountancy Column, March 25) add their voices to the pop-

ular argument that separation of audit from consultancy work for the same client would ensure auditor independence. Judging by the research car-ried out by NERA into this subject, I would suggest that their proposals are unworka-ble. What is more, this policy prescription is not at all the most direct solution to the root

When we collected data on audit-consultancy links among the Big Slx accounting firms in 1990, we found that the various regulatory obstacles to such links throughout the BC were mostly ignnred, avoided nr evaded. In Germany (the example cited by Sikka et al as hav-ing an effective ban un auditconsultancy links) we found that more than 20 per cent of Big Six non-audit income came from audit clients. The corresponding figure was 35 per cent for the UK.

Even supposing audit-consul-tancy links could be eradi-cated, the problem of the auditors owing greater financial allegiance to the managers than to the shareholders of the audit client would remain. The audit is a major piece of business in its own right, so audit partners would still have a clear financial incentive to compromise independence if lent on by unscrupulous company managers.

The way to tackle this problem head on is to clarify the duties of the auditor to the shareholders. Clearer duties, and clearer penalties if these dnties were not discharged would provide an effective financial antidote to the incentive to compromise independence. Certain knowledge that poor audit checks will result in exposure to proper penalties would concentrate the auditor's mind wonderfully.

Shareholders' representa-tives, and the accounting firms themselves, should take more rapid steps towards this goal if they are to avoid the imposi-tion of costly and ineffectual interference with their freedom to carry on consultancy work. Derek Ridyard, associate director.

National Economic Research Associates, 15 Stratford Place London WIN 9AF

### Tax proposals will hit small oil exploration companies while benefiting large producers

From Dr Michael F Ridd. Sir. Since the chancellor's budget statement your pages have carried the reactions of two of the biggest North Sea oil companies to the proposed changes in the Petroleum Revenue Tax arrangementa ("North Sea group may halve exploration after oil tax change", March 24). At tha other end of the spectrum is a company like my own, arguably the smallest North Sea oil company and yet one which would be strongly affected if

the chancellor's proposals were to be implemented. Over several rounds of North Sea licensing Croft has built up a portfolio of exploration acreage, committing to the government to carry out certain seis-mic surveys and drilling. Our plans and commitments had been based on a fiscal regime in which our exploration and appraisal costs could be relieved against our PRT liability from the one producing field we have, Claymore. Under the chancellor's proposals the work we shall have to carry out under those commitments to government will effectively quadruple in cost. And, similarly, any discretionary explo-

ration or appraisal work we might wish to carry out in the

nue (and hence the money available for exploration) will halve.

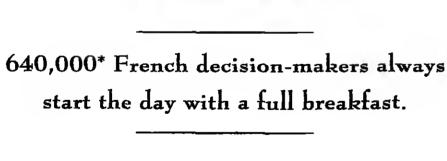
That is how a company largely devoted to exploration and appraisal will be affected. But certain other North Sea oil companies have such large producing interests and pay such large PRT bills thet their effective increase in exploration and appraisal costs under the chancellor's proposals will be outweighed by the chancel-lor's other proposal, to reduce the PRT rate on existing fields from 75 to 50 per cent. Such companias, although few in number, are naturally reference number, are naturally rejoicing as your March 25 headline points out. "BP defends oil tax from attacks."

Mr John Browne of BP is reported as saying that for too long tha taxpayer has subsidised exploration. The reason he is now rejoicing is because the chancellor is proposing thet in future the taxpayer will instead foot the bill for BP's increase in North Sea revenue, estimated at up to £140m a

year. Mr Browne is one of the few

UK will be made that much more costly. Expressed another way, from 1996 when the PRT changes would begin to bite, our North Sea production reveals affected by the proposed changes, reportedly saying levels will not be seriously affected by the proposed changes, reportedly saying that instead it will give exploration a stronger focus and make it seriously that instead it will give exploration as the seriously that it is the seriously saying that instead it will give exploration as the seriously saying that instead it will give explorately saying the serious saying saying the serious saying saying saying saying saying saying saying say make it more cost-effective. If drilling success rates have declined from 1 in 5 to 1 in 7. as he says, it is not because of inefficient exploration but because with advancing maturity the North Sea is yielding smaller discoveries of which more are falling beneath the threshold of commercial viability. "Stronger focus" is simply a euphemism for cutting the number of wells drilled, and fewer wells will mean fewer commercially viable discov-

The government estimates that up to 25bn barrels of oil and 44 trillion cubic feet of gas may remain to be discovered in the UK. Finding those reserves will require sustained high levels of exploration. On tha whole, over the past 30 years the fiscal regime has been conducive to such exploration that could now change. Michael F Ridd, managing director, Croft Oil and Gas,



Among the many fine table traditions enjoyed in France, one is particularly suited to the taste of French decision-makers: les Echos, France's kading business newspaper.

The results of the 1991 European Business Readership Survey (EBRS) speak for themselves: les Echos is read by 61.4% of the country's top managers, who also put their trust in Enjeux les Echos, the group's monthly magazine. So whether you have a product to sell or you wish to raise your company's profile, now you know the best way to reach French executives in the morning, beside their croissants.

> les Echos Le Business Dailu

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ARCH 29 1991

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**FINANCIAL TIMES** 

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday March 29 1993

# Spoils of the North Sea

ANY TAX reform as sweeping as the chancellor's new fiscal regime for North Sea oil inevitably cre-ates winners and losers. The more important question is whether it creates the right incentives to ensure that maximum economic benefit is extracted from the dwindling energy resources that remain. Since the present arrange ments are excessively complex, incorporate inadequate incentives for companies to control costs, and are ill-designed for a period in which many North Sea oil fields are reaching maturity, the reforms probably have more to commend them than the complaints of the smaller oil producers might sug-gest. But if form is any guide, they will not produce quite as stable a long-term regime as the chancellor predicts.

Under the old regime, only a small number of fields paid PRT at all and most of these were older fields. This was because exploration and appraisal costs could be off-set against the income from existing fields, thereby reducing or eliminating tha charge to petro-leum revenue tax (PRT) and corporation tax. The effect was to cut the cost of exploration and appraisal to less than 17p in the pound, which provided a powerful incentive for drilling activity. But the tax take from existing fields, which suffered from a combined rate of royalty and tax charges of just over 85 per cent, provided a countervailing disincentive to further development. As a result there was a risk that substantial energy resources would be left untapped. This has led to sugges-tions from some larger companies, which are responsible for about 80 per cent of the development of existing fields, that the exploration tail has been allowed to wag the development dog. It has also led to a great deal of lobbying.

Underlying logic

In his budget package, the chancellor appears to have bought the big companies' argument. A reduction in the rate of PRT from 75 per cent to 50 per cent means that the combined tax rate for those existing fields that pay royalty and corporation tax as well as PRT will fall from 85 per cent to nearer 70 per cent. And it is hard to quarrel with the underlying

of PRT was set when the oil price was three times higher in real terms and costs were significantly lower. The more difficult question is whether the accompanying abolition of PRT relief on exploration and appraisal costs, together with the switch to corporation tax on new fields, will lead to an undesirable reduction in the amount of exploration activity.

Unhappy timing

North Sea exploration has already been falling for predict-able reasons: the odds on drilling successfully, according to British Petroleum, have gone from one in four to one in seven over the past five years. Exploration is under-standably gravitating to more attractive prospects elsewhere. Judging by the initial reaction of many independent oil companies, this trend will accelerate. But the fact that the PRT regime has actually been costing the exchequer money poses a question about whether the government may now be subsidising sub-optimal investment in the North Sea. Certainly the reforms mean that future exploration will be more cost conscious; but because the prize to be had from developing new fields will be greater under corporation tax rules than before, the Tres sury's calculation must be thet drilling will continue where the prospects of significant finds are best. From negative PRT revenues of £200m in 1991-92, the Treasury expects an inflow of £300m in 1994-5 and £400m thereafter.

It is nonetheless worrying that the hard-pressed independent sector, which has performed a useful role in the North Sea, is being so ohviously disadvantaged relative to the giants of the industry - and hardly surprising that independent companies are distrustful of the Treasury's motives. The timing of the chancellor's move also looks unhappy, given the adverse job consequences at a time of ris ing memployment. That said, the broad thrust of the tax reforms is right for a North Sea that is reaching maturity. But if the suspicion that the Treasury's revenue calculations are based on over-optimistic assumptions about the future level of exploration proves right, the new corporation tax regime will no doubt grow complications

# Mixed message for French right

THE SWEEPING election victory the arrogance of power. of the French conservatives has Like the Gaullists before them, the Socialists have systematically delivered two contradictory messages, which could lead them to monopolised the patronage of the state, supping deep from the privi-lege of presidential power, and adopt two opposite strategies of government. The simple message becoming increasingly remote from ordinary people. This is a is that the electorate has handed down a categoric rejection of the discredited Socialist party, and direct consequence of a system where the authority of the presi-dent has progressively overshadgiven the conservatives a licence to charge shead with a populist right-wing programme, even if this involves getting into fights owed that of government and parliament. There is a clear need for with the US over trade, with the a rebalancing of the system in Community over farm policy, and with President Mitterrand over his favour of parliament, and the modest constitutional reforms proconstitutional position. But there posed by President Mitterrand is a deeper message, less exhilarat-ing for the right, which should prompt them to adopt a cautious could be a useful move in that direction. The conservatives' most acute and even a conciliatory posture. dilemma is in economic policy. The case for caution is three-They subscribe to the same antifold: the conservatives do not inflationary objectives, and the really have a popular mandate for a hard-line right-wing programme; they have not offered any rapid same hard franc policy, as the Socialists. But there is an irreconcilable conflict in the short term solutions for the country's eco-

between their need to bring down nomic problems, starting with the apparently inexorable rise in uncomployment, and the deflation-ary effect of high German interest rates. They have promised a new unemployment; and the electorate will not thank them if they gratuinitiative to accelerate Franco-Gerltously rush into a dead-end politi-cal crisis with France's trading man monetary co-operation. But if this fails to bring lower interest rates and the promise of faster growth, they will probably need to reopen the European debate on economic and monetary union. pariners, or an unnecessary con-stitutional crisis at home. The conservatives popular base is more modest than their parliamentary majority would suggest The collapse of the Socialist vote is almost wholly accounted for by the rise in the protest parties outside the governing mainstream, Guiding principles

such as the extreme right-wing

National Front and the ecologists. The conservatives' share of the

ballot in the first round of this

election - less than 40 per cent -

was slightly smaller than in 1981, which must make it imprudent,

therefore, for them to interpret a

massive parliamentary majority

This election thus confirms the

existence of a strong under-cur-rent of popular alienation from the traditional parties of govern-

ment, which first emerged in last

year's regional elections. One fac-

tor is no doubt the Socialists' fail-

ure to stem the tide of unemploy-

the Socialist party by systematic

involvement in corrupt financing

practices. But the Socialists' fatal

nt; another is the tainting of

as a massive popular mandate.

Popular alienation

There is a danger that this dilemma will play into the hands of the populists and the anti-Euro peans in the conservative coali-tion. In fact, the only sound general strategy for France is one centrally based on the European Community, on the liberal market economy, and on the key relationship with Germany. The best guarantee that these

will continue to be the guiding principles of French policy will be the appointment of a prime minis ter who is prudent, pragmatic and reasonable. Speculation has suggested that Mr Mitterrand will choose Mr Edouard Balladur, the former finance minister, who said last week that the new govern-ment should be "as open, as tolerant, and as respectful of others as possible. Mr Balladur is not the only plausible candidate; but that is exactly the style of government which France needs at this delicate, and potentially unstable, offence was to have succumbed to point in its political history.

ride may come before a fall, but there is no denying that there is a certain cockiness to the Clinton administration these days. Congress has been tamed, the press charmed, Yeltsin is still there and visiting foreign dignitaries impressed - all if only for the

More than thet, a certain style has been established it combines collegial, activist, legalistic, inquir-ing and practical elements. It takes its lead, indisputably, from President Bill Clinton himself but it is equally evident in other key members of his administration.

bers of ms administration.

Sir Leon Brittan, the EC trade commissioner, will get a heightened sense of it this morning when he sits down with Mickey Kantor, the US trade repesentative, to work on a daunting agenda, of which EC procurement policy and temporarily suspended US sanctions against it is merely the most pressing. He will find on the opposite side of the table a man more assured and more comfortable with his brief than when they first met last month.

Mr Kantor, 53, born in Tennessee, where his family fought racial dis-crimination, but enamoured of his adopted California ("the closest we've got to a meritocracy"), a poverty and corporate lawyer who ran Mr Clinton's professional campaign last year, gets np early, wears braces, and has a subile sense of humour.

Though it may come as no help to Sir Leon, Mr Kantor is, like most sensible Americans, a baschall freak Last week's breakfast bagel was forgotten in discussing the revived fortunes of Fernando Valenzuela, the pitcher who relies on guile not force, but the trade analogles are not

"Velocity in pitching, like philoso-phy in trade," Mickay Kantor declares, "is vastly overrated. It's all about location and staying ahead of the batters, that's how you'll be successful. Its not complicated, just like trade is not complicated. There are simple principles to adhere to." (On his deak was a clipping from a Japanese newspaper abowing Mr Yoshiro Mori, the trade minister whom Mr Kantor was to meet later. playing baseball.)

Yet when pressed if he cares more about ends than means, the lawyer demurs. "Once you sign an agreement it seems to me almost count-er-intuitiva, even dysfunctional not to live up to it.\* Nations have antidumping laws which, far from being necessarily skewed in favour of the plaintiff, exist "because there is a lot of dumping around".

However, laws, even in trade, are not, he goes on, set in concrete. Change is the immutable law of politics and life. Change can be your friend." In perhaps a weiled the keiretsu (the Japanese system of

Mickey Kantor talks to Jurek Martin and Nancy Dunne about his daunting agenda in pursuit of open markets

# Trade apostle with his eye on the ball

invitation to the EC to come back to the table for a multilateral steel agreement, "if your trading partner comes to you and says he can't live up to the terms of an agreement. tion, he argues, is what should have been done last year, possibly avoiding the US finding that European steel imports had been dumped in the US. 'Tm always looking for the dog that doesn't bark."
If the rules of the game fascinate him, trade theology does not. "Tm

not going to be caught in a theological debate that does not lead to practical and pragmatic results. It does not matter what you are called or how you are labelled, it matters what we get done. The idea is not to engage in endless dehate about whether someone is a free trader, a protectionist, a managed trader or results oriented."

e makes just one dog-matic exception. The US "is the largest open market in the world, and it is not going to change and everyone knows that. The rhetoric thrown around is only for effect, lets ba mature and grown up about that."

He is inclined, naturally, to be more tolerant of US rhetoric for domestic consumption ("the political factor"), such as his own president has used when discoursing about European Airbus subsidies or the presumed iniquity of low US tariffs on Japanese mini-vens. He contrasts thet, perhaps ingen

uously, certainly defensively, with when the EC talks about protectionism and unilateralism, whatever the back that means, that is somehow supposed to embarrass us and persuade us to take action that is in the interest of the EC or the Japanese or whoever is making the

But, he goes on, it would be "audacious" to try to make a country like Japan be just like the US, which was arguably a motive in the Structural Impediments Imitiative approach to market-opening prac-tised by the Bush administration. "It is not my business to tell them how to organise society. You take



interlocking corporate networks) as a given and try to make it effective. It is my business to ensure that markets become more open."

Those caveats aside, Mr Kantor can be critical of Japan. For starters: "Japan can no longer stand aside and not engage in discussion on the Urugusy Round; this is not 45 years ago." For main course: "They don't need any protection from us or anybody else." For semiconductor dessert: "I think their lack of comfort (with the US insistence on quantitative targets) could be more concerned with other crite-ria, including politics." For good reason, he is concerned that the 20 per cent market-opening "goal" of the semiconductor agreement will not be met this year.

The EC gets a generally similar ride, with lots of compliments for its historic leadership. But "I don't understand why market access should be such a difficut problem. They should jump at the opportunities. The Germans, the English, the Dutch have been traders for centu-

"Barriers," he goes on, "are not in anybody's interests. Agricultural variable levies, internal supports, the CAP, are not in anybody's interest. I'm not telling them how to handle it - that's not my business but I do have the right and obligation to tell them what is in the interest of the US." On the discrimination of EC procurement policies, he says, more colloquially, "if I'm punching you, punching less

does not matter". Critics of the emerging US trade policy contend that too many offi-cials punch too often and in inconsistent flurries, unlike the good old days when it was neatly compart-mentalised between a handful of administration "experts" who believed, wbatever they actually did, that trade should be free, and a Democratic-controlled Congress which played the protectionist foll.

Mr Kantor is an apostle of the
horizontal approach to policy-mak-

ing. Corporations and governments have found, he says, that it improves co-ordination. "Now, Treasury, State, Commerce, the National Economic Council, the National Security Council, USTR are constantly talking. There's a Tuesday morning meeting every week, bori-zontal discussions all the time. It takes a lot of discipline... hut we talk so that we are all singing from the same hymn book." (This is a phrase in vogue in Washington: even Douglas Hurd, the British foreign secretary, was caught mouthing it here last week.)

It works, he contends, because the president himself is "completely engaged," reading memoranda all the time and knowing his brief as well as any of his officials. His respect for his boss, whom he first met in 1979 through Mrs Hillary Rodham Clinton, knows no bounds

ut if he takes his lead from Mr Clinton, he can argue his own way. "What appears from my studies and intuition is that the sum is greater than the parts. Exponential growth takes place from interaction between economies." But the benefits, in improved standards of living, must be widely spread at homa and herrds

He talks of extending the North American Free Trade Area southwards and then into co-operation with the Pacific basin, all with a view to creating "middle classes in the world". In this respect, his early career as a poverty lawyer, represanting the lowest of the low, migrant farm labour in Florida and then California, was influential.

Referring to Cesar Chavez, the charismatic leader of farm labour in the 1960s and 1970s: "He profoundly affected my view of what needed to be done, how important it was to throw yourself into public issues and, now, how important Nafta is in harmonising upwards workers' atandards.".

But he bas his own ideal of where those standards are most perfectly found. A modest traveller ("I didn't make much as a legal services lawyer") he has been to Europe "a few times" and to Israel. In his present job: "I'd love to hold every meeting

# Samuel Brittan

# ECB very much on drawing board



Despite the clonds over the Maastricht treaty and European Monetary Union, preparations for establishing the new European Central Bank in Stage Three are going ahead. The treaty

itself goes into detail about the constitution and responsibilities of the bank, but says little about how it will operate.
Forward thinking on these matters has, however, been taking place

under the aegis of the EC Commit-tee of Central Bank Governors, which has already set up a small staff of its own; the committee itself is likely to be taken over by the European Monetary Institute when the latter is established in January 1994 under Stage Two of Emu. Further light on how the ECB might operate is shed by two members of the central bankers' staff, Carlo Monticelli and Jose Vinals in a paper entitled European Monetary

Policy in Stage Three, soon to be published by the Centre for Economic Policy Research. Monetary policy, we are usefully reminded, centres round the supply

of "central bank money", which in UK parlance corresponds to bankers' halances at the Bank of England. This should be targeted according to the authors, not on any final objective, like a price index or Nominal GDP, but on some totermediate target, in practice, a measure of the money supply.

Discussion of the paper at a recent conference in Barcelona

made clear that the only measures of money supply likely to be used were fairly broad ones covering a wide range of bank deposits, as well as cash, such as Britain's M4 or the German M3. A subsequent paper by the Bank of England's economic director, Mervyn King, has a chart hinting that the relation between the British M4 and inflation, which broke down in the early 1980s, might be about to re-establish itself.

One argument is that money supply targeting would provide some continuity with national central banks, several of which already target the money supply. Furthermore, money supply targets respond more quickly to policy than inflation itself and are easier to monitor, which would help to establish the

There must be an intermediate stage when the still-independent central banks work together

credibility of the ECB in its vital early years. The successful pursuit of monetary targets might also exert a favourable influence on private sector expectations and behaviour, while the setting of ranges rather than joint targets should allow some flexibility for the new institution

A more interesting argument, emphasised even more by Professor Ronald McKinnon of Stanford university, is that the relation of the European money supply to incomes and prices could well be more stable than that for existing national currencies, as substitution between them would cancel out.

The EC paper also suggests that there are limits to how far the implementation of monetary policies can be delegated to the compo-nent central banks. For instance reserve requirements (virtually nonexistent in the UK) would have to be harmonised. On the other hand, each national centre could maintain lts own standing facilities with national hanks

However, conditions for the recognition of banks would have to be well harmonised to prevent the authorities in each national capital from trying to promote its own financial centre at the expense of

My own worry is how we get from

here to there. It does not seem to me concelvable that up to, say, December 31 1998, the Bundesbank will decide its policies with sole reference to securing low inflation in Germany: and then on January 1 1999, the European Central Bank will take over with the different objective of stabilising European Community prices.

There must surely be an intermediate stage when the still-independent central banks work together with an eye to the European price level, and perhaps experiment with some measure of the European money supply.

Prof McKinnon has advocated a "common monetary standard" under which the core ERM countries would co-ordinate monetary policies to achieve zero inflation for a common producer price index. His aim is to rehabilitate the European exchange rate mechanism; but it would be equally appropriate as a prelude to full Emu, or as a way of maintaining exchange rate stability while keeping options open.

# **OBSERVER**

### Campaigners return

Debts of honour don't seem to be much recognised these days, let alone remembered after night half a century. All credit, then, to a group of British wrinklies preparing to return to northern malia, where they soldiered in the years just after the second world war.

The aim of the party, led by Anglo-Somali Society chairman Brigadier Malcolm Page, is at least partly to redeem what they see as the UK government's neglect of its obligations to former allies in the old British Somaliland Protectorate, now the selfproclaimed but unrecognised Somaliland Republic.

The deht is not just to the 1,000 or so Somali ex-servicemen and war widows remaining from 1939-45 says group member Cameron Morpeth, a retired stockbroker who served as a subaltern in the protectorate. The ties go back to the survivors grandathers who fought alongside British troops in Dervish campaigns at the turn of the century.
"We shouldn't leave this strongly

British-oriented people to the vagaries of UN action. They haven't had a fair share of the aid given to southern Somalia," he adds. So far Rimlire, a British company running mine clearing operations, has offered to help him on arrival.

Millride golf club raised £1,500, and the British Commonwealth Ex-Services League has promised small grants. "That will help some of the hardest hit, including war widows in a country devasted as a direct result of cold war rivalries," says Morpeth. "But we should do

Intertwined

Perhaps it should be called "The Beautiful and the Dammed". According to vibes emanating from Los Angeles, narcissistic pop-star Michael Jackson is to Join disgraced junk bond financier Michael Milken in a new cable TV network which will seemingly focus on "education and entertainment". Don't rush to tune in, though

True, Milken has completed a two-year jail sentence after pleading guilty to six counts of securities fraud. But he has yet to perform 1,800 hours of community service in each of the next three years.

Head count

■ Whatever Britain may be short of, it is evidently not people with "an impressive track-record in senior management, knowledge of the property market and extensive experience in land

regeneration or a related field". Almost 200 such paragons - in their own view, at any rate - have applied to become the first chief executive of the government's new Urban Regeneration Agency.



MICHAE I suggest a half of the modest little house red since it's only a modest little upturn we're celebrating, sir'

Among so many, there may even be one be deemed worth more than the advertised salary of £90,000. Charged with "unleashing the potential" of 150,000 acres of derelict and vacant land in England's towns and cities, the body will take over the work of English Estates, the government's industrial and commercial property developer, besides some of the grant programmes run by the environment department.

Since England's 11 Urban Development Corporations are mostly scheduled for scrapping before long, it seems likely that

some of their chief executives are among the 200 contenders. Alas, those questioned on the point proved uncharacteristically shy. Not so, however, the man already doing what is largely the joh newly

offered: Tony Pender, chief executive of English Estates for the past 14 years. "I'm naturally going to have a go at it," he said. As for having such hordes seeking to trample over him, "it's uncomfortable, but the discomfort was expected."

Cornered

■ Meanwhile the environment secretary Michael Howard has just received an invitation which presents him with a dilemma. Sent by Robin Smith – general manager of Copeland borough council in that remote corner of England, West Cumbria – it requests him to visit the town of Whitehaven.

If Howard turns up, he is sure to be lobbied for extra state aid for the area, not least because its road, rail and air links are inadequate. Yet if he cries off as he did when last invited, sending iunior colleague Tony Baldry instead, he'll not only leave local citizens in no doubt that the government is snubbing them, but help to prove the point they're

seeking to make.
Scheduled ministerial visits have also been called off by housing minister Sir George Young and board of trade president Michael Heseltine as well as Howard's other junior colleague Rohin Squire. "It underlines that we're the most remote travel-to-work area in England from Whitehall," says Smith. "Not only does that make it difficult for government ministers to get to us; it makes it difficult for businessmen too."

Weighty question

■ Last week'a Washington trip by Helmut Kohl has complicated matters for his staff in Germany. Some of them have wagered thet their chancellor will be 14 kilos lighter on returning from his annual visit to an Austrian spa, due to begin on Wednesday. But now he has been to the US, the decisive question is not bow much he will weigh after the spa poliday, but the weight at which

he'll start it. Suspicions that he increased his bulk while in Washington are strengthened by onlookers' impressions that he was there not so much to meet the new US president as to renew his own cousintance with a favourite restaurant: Filomena's in Georgetown. Certainly, hobnobbing before a White House meeting on Friday, he could talk of little else. As a result Bill Clinton, who has proved himself more than a

McDonalds man with recent appearances in several of Washington's trendier restaurants. added Filomena's to his list. He might have done better to note the address of the spa.

KNITTING MACHINES INDUSTRIAL AND

DOMESTIC SEWING MACHINES

# UN aid convoy reaches besieged town as Bosnian ceasefire holds

By Laura Silber in Belgrade and Robert Mauthner in London

A CEASEFIRE from noon yesterday agreed by Bosnia's three warring parties appeared to be holding last night, as a long-delayed United Nations relief convoy reached a besieged town in eastern Bosnia

On Saturday the convoy, destined for Srebrenica where 60,000 people are desperate for food and medical aid, was stopped from crossing into Bosnia by local Serbs. This was in spite of an undertaking by General Ratko Mladic, the Bosnian Serb army commander.

Hopes rose yesterday that it would at last get through when it was cleared by Bosnian Serbs at the border town of Mali Zvornik, and its arrival at Srebrenica was reported by the UN last night.

Transport Correspondent

built as planned.

THE £130m (\$185m) international

rail terminal being built at Lon-

don's Waterloo station, Britain's

biggest station project since the

last century, could become redundant eix years after it opens

if the Channel tunnel rail link is

Union Railways - a subsidiary

of British Rail, the state-run rail-

way - is in charge of the Channel tunnel rail link. It has acknowl-

edged that its plans assume most

or all international train services

will switch to a new terminal at

London's St Pancras or King's

Cross stations when the link

opens around the end of the

A small number of trains may

continue to run into Waterlco to

see if any demand remains, but

most passengers are expected to

prefer the St Pancras or King's

Cross terminal because it will

offer a faster journey time and

better connections with BR and

scandals, and even if parlia-

ment decides there are insuffi-

cient grounds to waive his immu-

nity he will find it hard to

recover his key role as the mas-

London Underground services.

Continued from Page 1

The uncertain situation on the ground in Bosnia was matched by the equally fragile state of the peace negotiations in New York, following the signature last week of important elements of the internationally brokered peace plan by Mr Alija Izetbegovic, the Bosnian president.

Mr Izetbegovic said at the weekend that the Bosnian Serbs — the only ones not to have signed the plan put forward by the international mediators, Mr Cyrus Vance and Lord Owen — had between 10 and 15 days to endorse it. If they did not accept it by thet deadline, he would consider his own signature invalid.

However, Lord Owen said in a US television interview yesterday that a 10 to 15-day deadline was "too early" to secure the Bosnian Serbs' signature. Mr Izetbegovic had not mentioned such an ulti-

New UK rail terminal may

be obsolete after six years

now nearing completion, has

been acclaimed for its architec-

tural design. Its five platforms,

covered with a canopy incorpo-

rating 2½ acres of glass, 2 acres of stainless eteel cladding and

nel tunnel operations, while con-

tinental trains are running along

existing tracks between London

and the coast, the station will be the sole London terminus for

At the time the station was

planned, it was expected that the

new high-speed link connecting

London with the tunnel would

at King's Cross. But those plans

have been overtaken by the dras-

tically revised route published

last week by the government.

which approaches London from

Under the new plans, trains using the high-speed link will only be able to reach Waterloo by

tor of Italian politics.

Over the weekend, the Amato

government announced the com-

position of the board of Eni, the

state oil concern whose chairman

and heads of four main subsid-

iaries have been arrested in cor-

ruption scandals. The new board

Fresh probe into politicians' Mafia links

approach London from the south and make equal use of Waterloo and a second terminal to be built

1,000 tonnes of steelwork.

For the first few years of Chan-

international expres

each a quarter-of-a-mile long, are

matum to him when he signed the agreement in New York last

It is nevertheless possible that the Bosnian Serbs will give their verdict within a short time. Mr Radovan Karadzic, the Bosnian Serb leader, sald the parliament of his self-styled republic would vote on the Vance-Owen plan within the next 10 days.

Meanwhile, France has become the first country to join the US operation to parachute relief supplies to besieged towns in eastern Bosnia, which land convoys have been unable to reach. A French C-160 cargo aircraft accompanied four US cargo aircraft on Saturday night to drop 30 tonnes of food and 600 kg of medical supplies to the mainly Moslem inhabitants of Gorazde.

But Germany, which had intended to join the US relief

end in Kent and reverting to con-

gested tracks for the last 22

miles. This means the journey to Waterloo will take 17 minutes

longer than the journey to St

Pancras or King's Cross, even if

Mr John Prideaux, Union Rail-

ways' chairman, said it was inev-

itable that Waterloo would be the

loser once the eastern approach

to the capital had been chosen.

Mr Prideaux said: "We would not say that we will not take any

trains there, but there will be a

preference for the majority to go

to King's Cross or St Pancras

A limited train service could

provide only a temporary respite

from closure for Waterloo's inter-

national terminal because traffic

levels would be too low to justify

the continued operation of the

airport style building with its

arrival and immigration halls.

customs facilities and departure

Freight wagons unveiled, Page 7

of six has Mr Franco Bernabe

continuing as chief executive and

Mr Luigi Meanti, a former man-

aging director of the Eni subsid-

iary Snam, as chairman. The

board members are all techno-

crats instead of political appoin-

Too many bodies, Page 12

because it will be quicker."

the trains have a clear path.

flights, has remained on the sidelines, following a threat by the Bosnian Serbs to shoot down aircraft of any flights in which Ger-

mans participated.

The Bosnian Serbs are still bitter about Germany's occupation of Yugoslavia during the second world war, and also blame Bonn for what they consider the European Community's premature recognition of Croatia and Slovenia, thus precipitating the break-up of Yugoslavia.

In the Croatian capital of Zagreb, Mr Izetbegovic said yesterday that he and President Franjo Tudjman of Croatia had agreed to set up a joint Croat-Moslem army command in Bosnia. The country's Moslems and Croats are formally allied against the Bosnian Serbs, hut have fought fierce battles against each other in several regions.

# US-EC in talks to avert trade sanctions

By David Dodwell, World Trade Editor, in London

SENIOR US and European Community trade officials hold critical talks in Brussels today aimed at averting US sanctions over EC government purchasing policies, and at restoring momentum to stalled negotiations on global trade liberalisation.

The most urgent task facing Sir Leon Brittan, the EC's trade commissioner, and US trade representative Mickey Kantor will be to find a compromise in a dispute over government contracts.

At the centre of the disagreement is an EC rule that Washington believes gives unfair preference to Community companies in winning public contracts. A US threat of sanctions affecting about \$45m.\$50m of EC goods was put on bold following talks in Washington last week between President Bill Clinton and Mr Jacques Delors, EC president.

US officials have warned that sanctions will go ahead later this week if Sir Leon and Mr Kantor fail to reach compromise. The row could rapidly escalate, as the EC says it is ready to retaliate.

The talks coincide with figures

The talks coincide with figures published today by the General Agreement on Tariffs and Trade that show world trade grew by 5.5 per cent to \$3,700bn last year, reversing four years of slowdown.

Gatt officials are calling for fresh efforts to be made to conclude the Uruguay Round of talks on world trade liberalisation at stime when "trade has been a source of relative strength in an otherwise mostly weak economic

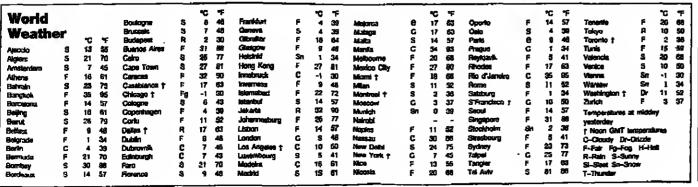
Both the EC and the US say they are keen to use the meeting between Sir Leon and Mr Kantor to revive the Uruguay Round. Today's talks are expected to be confined to charting a route towards a market access package under which the EC would lower tariffs on electronics products, non-ferrous metals and paper and wood products. The US in turn is being pressed to cut high tariffs on textiles, ceramics and glass

A wide-ranging review of US trade policy is still in progress in Washington, making definitive US statements unlikely this week.

Mr Kantor signalled to EC negotiators in an interview with the FT that while trade politics fascinate him, trade theology does not. "I'm not going to be caught in a theological debate that does not lead to practical and pragmatic results," he said.

"It does not matter what you are called or how you are labelled, it matters what we get done. The idea is not to engage in endless debate about whether someone is a free trader, a protectionist, a managed trader or results oriented," Mr Kantor said. He added that the US "is the largest open market in the world, and it is not going to change and everyone knows that".

Gatt world trade report, Page 6 US dumping inquiry, Page 6 Kantor interview, Page 13



# THE LEX COLUMN

# High street demolition

Kingfisher's results last week showed clearly how the new accounting standards will cut retailers' profits. Until now companies were able to revalue properties in their balance sheets, and they could also count the full difference between the original purchase price and the disposal price as a profit. Companies conveniently did well both ways. Property revaluations strengthened the balance sheet while disposal gains flattered the profit and loss

Now profits – or losses – are measured on the difference between carrying cost in the balance sheet and sala price. For Kingfisher the change turned a profit of £20.6m on property in 1991-92 into a loss of £11.4m. The prohlem particularly affects gronps with large long-standing property holdings. Woolworth's high street stores and Sears' shoe shops are good examples. Indeed, Sears is the retailer most affected by the change. It realised property gains of £92m in 1991 and 1992 – some 40 per cent of reported profits. Those profits will be substantially lower when restated on the new basis. Sears' decision to cut its dividend last year thus looks to have been all the more inevitable given that the payment was not even covered before the change.

covered before the change.

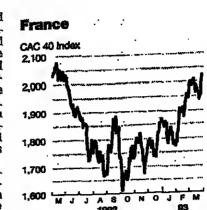
Large investors have in the main stripped out such profits from their calculations. Smaller investors may be more shocked by the change – however much companies try to pretend that it is merely technical. Other sectors may also be in for a surprise. Tha brewing and leisure sectors have similar property portfolios, yet the full significance of the change does not yet appear to have sunk in.

### France

The perversity of stock markets is a wonderful thing. With the economic news from France worsening by the day, tha CAC-40 index last week surged through the 2,000 barrier, adding the gloss to an 8 per cent rise since the start of the year. Yesterday's elections were the proximate cause; the anticipation of interest rate cuts the broader justification.

The tida of euphoria surrounding

The tida of euphoria surrounding the incoming market-friendly government looks likely to last a while. The CAC's all-time high of 2,129 may yet be breached this year with the conservatives keen to show they can make a better fist of the economy than tha socialists. The government's privatisation programme could raise more than



FFr20bn (£2.5bn) this year to fund s spot of reflation. The commitment to the franc fort should remain solid. Nevertheless, France's fine inflation record could permit interest rates to fall from 11 per cent to 6 per cent by the year-end.

Much depends, though, on the speed with which German interest rates drop. If the Bundesbank moves too slowly, high interest rates will inflict real damage on the French economy. Economic growth is stalling. The recent dismal etream of corporate news suggests earnings and dividends will come under severe pressure. The strong franc has thrown grit into France'e export machine. The equity market is gambling that, if the Bundesbank proves too grudging, the franc fort policy will face the guillotine.

### **ECGI**

The increased export credit cover and lower premiums promised in the budget brought qualified approval from industry. Although ECGD's average premiums have been cut, affordable cover will not necessarily be available for markets of particular interest to exporters such as China. But it does look as though the regime has become more relaxed. The broader fear is that this may ultimately lead to a rerun of the large losses which plagued ECGD during the 1980s and from which it is only just recovering.

only just recovering.

ECGD's obligation to provide medium-term project cover forces it to take on large single risks for which no reinsurance cover exists. Like other national export credit agencies it suffers from a concentration of risks. By contrast, commercial companies automatically reinsure.

There is an opportunity here for tha EC. It could establish a European

export credit reinsurance market which would help put national agencies on a sounder footing. The stock objection - that one country's taxpayers would simply end up covering losses incurred by another's exporters - is short-sighted. Assuming a degree of critical mass, such a market would set a benchmark for premiums which would make it hard for national agencies to undercut each other. The unfair competition which British exporters claim to have faced from low-premium countries like France would disappear. Decisions to extend cover might become more disciplined.

Unfortunately the chances of such a radical approach look slim. The UK government's reluctance to extend its own top-up reinsurance facility for the privatised part of ECGD suggests it has little appreclation of the reinsurance issue. As long as that remains true, exporters should expect the export credit tap to be turned off again once the losses start to mount.

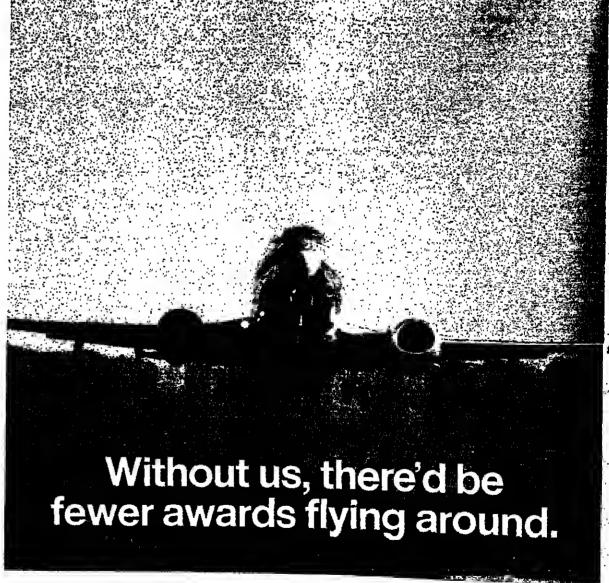
### Index-linked gilts

in theory, index-linked gilts should have been a beneficiary of the budget. The lower tax credit on dividends which has reduced the yield on equities does not affect gilts. The yield on index-linked gilts, which are perhaps best viewed as a surrogate equity rather than a bond, has thus become more attractive relative to shares. Over time this could lead institutions to devote more of their cash-flow to the index-linked market. But there is unlikely to be a rush.

One problem is that running yields on index-linked gilts are still too low to attract yield-conscious investors in equities. Another is that even those who believe that devaluation and the government's economic problems will eventually rekindle inflation also have to worry about real yields in the short run. On this matter index-linked gilts take their lead from the conventional market. And this market is again worried about supply.

ried about supply.

Then there is the structural problem of liquidity. Extra sales have increased the size of the index-linked market by more than £5bn in the current financial year. That amounts to an expansion of some 40 per cent, but there is still no real trading liquidity. So buyers of index-linked may face punitive dealing costs if they want to sell. The worry is that the market may never become liquid whatever its size. The high cost of carry makes index-linked unattractive to market makers.



Prestigious awards from aircraft manufacturers in recognition of superior quality, cost and schedule performance have recently winged their way to **Dowty** companies.

The Los Angeles plant was one of 7 companies selected from more than 3,500 suppliers in 29 nations to receive Boeing's highest honour — the Boeing Commercial Airline Group President's Award for Excellence.

This plant also won McDonnell Douglas Preferred Supplier status and distinct of the Excellence.

This plant also won McDonnell Douglas Preferred Supplier status, a distinction shared by Dowty. Wolverhampton, the first European company to join this select list.

Dowty is one of TI Group's three specialised engineering businesses, the others being John Crane and Bundy.
Each one is a technological and market leader in its field. Together, their specialist akills enable
TI Group to get the critical answers right for its customers. Worldwide.



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FINANCIAL TIMES

# **COMPANIES & MARKETS**



INSIDE **Vestey meat group** 



Weddel New Zealand, the meet company owned by the Vestey family of the UK though their Union International group, plans big shareholding changes including searching for a new large shareholder. This follows a decision by the Vesteys to sell assets to restricture. Mr John Prendergast, Weddel managing director, said the family planned to sell about 50 per cent of the company, the fourth largest in New Zeeland, Page 17

Gilts market upsets forecasts

Recent events in the gitts market have underlined the pitfalls of peering into the future. Even though last week yields for most classes of gilts moved up ahead of this week's biggest-ever gilt auction, the market has performed far better in recent months than most people in the Treasury and the Bank of England appear to have expected it would do fol-lowing the exit from the ERM. Page 18

New bond issues set record

New Issues in the international bond market reached a record high in the first quarter, reflecting a favourable environment of falling interest rates and an increase in funding requirements, especially from sovereign borrowers. Page 19

Renown posts loss

Renown. Japan'e largest clothing maker which owns upmarket UK retailer Aquascutum, posted continuing losses for the six months to the end of January due mainly to sluggish sales of women's wear, Page 17

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.5 according to IBES, the consensus estimates service (Last week: 14,7). This compares with an IBES estimated p/e for the "500" of 18.0 (18.2) for calendar 1992, The official FT calculation of the historic p/e, based on the latest reported earnings, is 17.91 (18.22).

Market Statistics

25 Leadon share service 25 Alguaged land-service 18 Money markets 25 New let bond lesues 25 World stock mist indices Base lending rates FT-A World Indices FTASMA int bood sac

Companies in this issue

Austrian Airlines Buckingham Inti Clark (C&J) Clarkson (Horaca) Corporation Bar Credit Lyonnals EFM Dragon Trust Ericason GR (Holdings)

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Monday March 29 1993

# News Corp seeks \$3bn and The Post

By Alan Friedman in New York

OTHE FINANCIAL TIMES LIMITED 1993

MR RUPERT Murdoch'e News Corporation is seeking a \$3bn revolving loan from e group of 30 to 40 international banks to help refinance outstanding debts at lower

interest rates.

Although terms of the deal, believed to have a maturity of more than five years, were not available, it is understood that Citibank of the US and Midland of the UK

are among the lead banks involved.

The \$3bn refinancing is the latest step in the restructuring of News Corp's debt. in late 1990, News Corp was facing severe

financial problems with debts of more than \$7.6bn. News Corp was forced into lengthy negotiations with nearly 150 lending banks and after months of talks, it was agreed that about \$7.6bn of debt would be

restructured over three years.
Separately, Mr Murdoch is expected this morning to make a formal proposal in a New York bankruptcy court to take control of The New York Post, the bankrupt tabloid newspaper facing management disarray and a severe cash crunch.

Mr Murdoch, who lost an estimated \$150m when he last owned the newspaper

between 1976 and 1988, on Friday evening

held a three-hour meeting with Mr Abe Hirschfeld, the car parks magnate who has controlled The Post since March 12. It is believed the two reached an informal agreement under which Mr Hirschfeld said

he would not oppose Mr Murdoch's offer at today's court hearing. The offer will involve Mr Murdoch providing operating capital and taking control of the paper for the next 60 to 90 days, pending the epproval from the Federal Communications Commission (FCC) of e request to waive rules thet normally prevent cross-ownership of both a newspaper and e television station in one city. The

FCC rules caused Mr Murdoch to sell The Post in 1988 because he also controlled a New York TV station.

If today's court hearing goes well Mr Murdoch could obtain operating control of the newspaper from as early as tomorrow. He already has the support of Mr Mario Cuomo, New York governor, and the paper's editorial staff, creditors and managers - many of whom have been angered by the behaviour of Mr Hirschfeld.

have to provide a plan to bring The Post out of Chapter 11 bankruptcy protection.

Mr Murdoch's costs over the next 60 days may reach \$8m and he would then

Paul Betts explains why a group of smaller airlines are talking about partnership

# Co-operating to survive in a global market

r Jan Carlzon, the chief executive of Scandina-vian Airlines System (SAS), describes the current flurry of mergers and partner-ships in the airline business as the ketchup bottle effect: "You shake and shake the bottle and nothing seems to happen until it

all comes pouring out at once.". For the past eight years, the SAS boss has been one of the most consistent and ardent proponents of transnational co-operation to enable smaller and medium-sized eirlines like SAS to compete against the larger European, American and Asian carriers in an increasingly

deregulated and global industry. He is now in the throes of complex partnership discussions with three other medium-sized European carriers - Swissair, KLM Royal Dutch Airlines and Austrian Airlines - to try to establish a "fourth force" in the European airline market to compete against the big three - British Airways, Air France and Lufthansa of Germany.

If successful, the current talks could ultimately lead to a merger. of the four carriers which combined would be larger than BA, Air France or Lufthansa. It would have a fleet of around 270 aircraft, employ more than 80,000 people, and carry around 30m engers a year.

The four carriers have already established 16 working parties to study how they could work more closely together by creating a multi-hub traffic system based Geneva and Vienna; integrating their fleets and future aircraft purchasing policies; combining frequent flier programmes; rationalising their structures and

cutting costs by setting up, for example, one head office instead

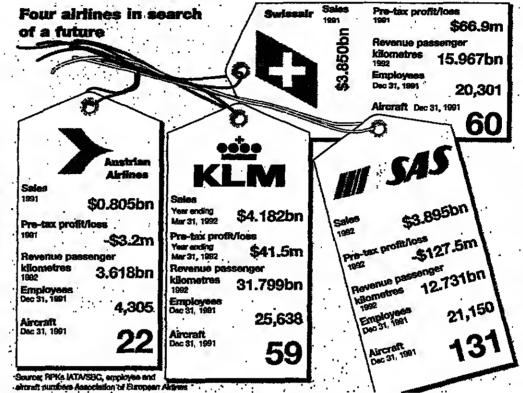
One working paper leaked last week goes as far as proposing e full merger with a joint company controlling four separate operat-ing arms with aircraft flying under the same logo and common

The four airlines insist that nothing has yet been decided and that e wide range of proposals are still under consideration. The conclusions of the different studies are to be submitted to the heads of the four airlines next month. By the end of June, they are expected to take a decision. "What is clear is that the four airlines want to move quickly", said one party to the talks.

The convoluted ownership structure of the airlines, espe-cially SAS in which the Swedish, Danish and Norwegian governments all own stakes, is likely to complicate merger plans. The unions and some vocal sections of government are also expected to resist radical merger proposals to protect employment and defend national pride

But there are compelling reasons for the four airlines to gang together. All four share common problems as well as similar strategies. Their domestic markets are too small to support e strong international airline. For this reason, they have all long branched out to forge links with carriers around the globe to operate via-ble traffic networks. SAS has developed links with

Continental in the US, Lan Chile in South America, Thai in south east Asia, ANA in Jepan. In the UK it owns 25 per cent of Airlines of Britain which operates the regional carrier British Midland.



Swissair has cross-equity partner-ships with Singapore Airlines and Delta in the US, KLM holds a stake in Northwest Airlines of the US, has a long standing relationship with Garuda of Indonesia and a stake in the British regional carrier Air UK. Swissair and ANA both have minority stakes in Austrian, the smallest and weakest of the four.

As an initial response to growing competition in Europe and the emergence of so-called "mega carriers" in the US and Asia. SAS, Swissair and Austrian formed four years ago what they termed the European Quality Alliance. Originally, the three airlines envisaged swepping stakes, but this proved too difficult because of the complex SAS ownership structure. However, the partnership has slowly started to bear fruits.

The three carriers co-ordinated last year the launch of new ser-vices to eastern Europe. Swissair

and Austrian have combined marketing forces in their domestic markets. SAS has been marketing its African and Sonth American traffic through Swissair. Some co-ordination in the use of equipment has already taken

Early on, SAS also sought to attract KLM to the table. But the talks were interrupted two years ago when the Dutch carrier decided to enter into merger negotiations with BA. The dialogue was renewed after the BA-KLM talks collapsed largely on the issue of control.

t has since gathered pace with the advent this year of the new single European avietion market and the industry's financial troubles due to reces sion. These combined pressures have, in turn, intensified the trend towards greater consolida-

In Britain, BA bought stakes in

USAir, Qantas in Australia and in two small regional carriers in Europe. Meanwhile, Air France has taken control of Air Inter, the French domestic carrier, and UTA, the independent French long-haul airline, as well as buying stakes in Sabena of Belgium and CSA of Czechoslovakia, Lufthansa is also scouting for part-nership opportunities while it aggressively restructures itself. Time is running out for

Europe's medium-sized carriers. However, a merger could take some time. After all, it took five years to find the proper corporate structure for SAS before the airline was created from the separate Swedish, Norwegian and Danish internetional eirline operations in 1951.

But as one executive close to the current talks said: "That does not mean we cannot agree quickly to have the benefits of e merger without actually having a

# Rivals emphasise doubts at IBM

By Lousie Kehoe

IBM's competitors moved swiftly over the weekend to capitalise on nucertainty created inside and outside the world's largest computer maker by the appointment as chief executive of Mr Louis Gerstner, e man with no computer industry experience.

Choosing Mr Gerstner, who joins IBM on Thursday from RJR Nabisco, the food and tobecco group, was e bold but risky way for IBM's board to try to revitalise the company, many computer

executives and analysts said.

Questions about IRM's technology and product strategies will pile up while Mr Gerstner gets to grips with the company, they added.

"The customer is saying, boly mackerel, why should I buy any more from IBM until this guy figures out what he is doing?" said Mr Scott McNealy, chief executive of Sun Microsystems, the leading computer workstation manufacturer.

Computer buyers realise that Mr Gerstner is likely to elimi-nate some products as be stream-lines IBM, but they don't know

which ones, he explains.

The fear of huying IBM products that will sooo be obsolete "gives Sun'e sales people a really nice run at the IBM customer

If IBM's customers are worried, its employees are living in fear and dread of the "axe man", a reputation Mr Gerstner brings with him from RJR Nebisco, where be lopped the workforce and sold off assets.

Wall Street analysts expect Mr Gerstner to eccelerate the "downsizing" of IBM by cutting up to 100,000 people from the company's 300,000 payroll.

Among computer experts, another source of concern is Mr Gerstner's lack of prior experi-

ence in the computer industry. Others see Mr Gerstner's lack of computer industry experience as e positive advantage because he will be forced to rely upon the advice of others, pushing respon-

sibility down the ranks But that raises questions ebout who Mr Gerstner will choose his top advisers.

"The management team he builds is much more important than what he knows ebout mips and flops," said Mr Regis McKenna, an industry consul-

"Making IBM faster on its feet is going to be the key challenge." IBM's wish-list, Page 10

### t has taken six months. ·But Britain now has a comprehensive monetary policy to replace sterling's membership of the European exchange rate mechanism. The final touches were pro-

vided by Mr Norman Lamont, the chancellor, in his Budget. The logic behind the policy was fleshed out by Mr Mervyn King, the Bank of England'e chief economist, at a seminar in London last week.

The chancellor devoted only six paragraphs of his 1 hour 51 minute Budget speech to mone-tary policy. The two innovaions contained in the paragraphs dieeppointed monetarists and appeared to mark a dilution of the govern ment's previous stance.

M0, the narrow measure of

money supply, which had been targeted by the government since 1984, is now subject to a "monitoring range". If growth of M0, which consists mainly of notes and coins in circulation, strays outside the 0 to 4 per cent range during the period of the government's medium-term financial strategy to 1997-98, it will be "likely to be a cause for

The existing monitoring range for annual growth of M4, the broad measure of money supply which also embraces bank and building society deposits, was modifed to 3 to 9 per cent from the 4 to 8 per cent set last November for the period to the end of March. The M4 monitoring range will also apply for the full life of the MTFS and movements of broad money outside its bands should sound a warning to the

The purpose of monetary policy is to achieve low inflation. Shortly after leaving the ERM, the government announced an explicit inflation target of keeping underlying inflation. measured hy the retail prices index minus mortgage interest payments, in a 1 to 4 per cent range over the life of this par-

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FING a count opinion the This inflation target is now

# UK is back on track with a monetary policy

ment's anti-inflation strategy. According to the Treasury "Red Book" published on Budget day, the interest-rate decisions needed to keep inflation in the target range will be based on a continuing assessment of monetary conditions, measured mainly hy the growth of MO and M4, as well as movement of the exchange rate and asset prices. While there are no targets or moni-

toring ranges for sterling or

accommodate these two wayward indicators.

The Treasury's feeble explanation that it had widened its monitoring range to 6 from 4 percentage points "because it now applies to a longer period" might excite euch suspicions in the case of M4.

But there is a sound intellectual reason for abandoning the M0 target. So long as underlying inflation is targeted, it is illogical and impractical to

**Economics Notebook** By Peter Norman

asset values, sharp mevements in these indicators would also trigger official concern.
These four indicators are

therefore the main determinants of interest rates in the UK. Although the framework for policy decisions falls short of the simple triggers beloved by financial markets, UK monetary policy should be more predictable than previously. Interest-rate decisions will still be based on judgment but not driven wholly by the seat of

the pants.
But what are we to make of the Budget innovations of the new monitoring range for M0 and the broader monitoring

Mo's annual growth rate has been higher than 4 per cent since Fehruary, while M4 growth, at just over 3 per cent in recent months, has been below the lower limit of the old monitoring range. A cynic might suppose that the ranges

have an intermediate target as

Moreover, the Treasury believes that M0 may be subject to special factors that might justify e more relaxed attitude to its recent rapid growth. The Treasury's monthly monetary report in February said that low interest rates could be encouraging higher cash holdings, so fuelling the growth of MO.

A more esoteric explanation was provided in the Red Book. It says the growth of velocity of circulation of M0 has slowed in recent years and was close to zero in 1992-93. If this trend persists, M0 could grow at a higher rate than the 4 per cent upper limit of its monitoring range without indicating any resurgence of inflationary pressures in the economy. So much for the policy

framework. But the hest

designed monetary policy is of little use if it lacks credibility.

It is here that the UK author-ities have a problem. In Febru-ary, the Bank of England noted that expectations of inflation had not yet adjusted to levels compatible with the 1 to 4 per cent target range for inflation.

The message was hammered home last week by Mr King. He pointed out that long-term interest rates in Britain, at 7.8 per cent, were higher than Germany's 6.6 per cent and France's 7.4 per cent. Although British inflation is currently below German levels, the difference in long-term rates suggests that monetary policy in Germany enjoys more credibility than in the UK.

The new monetary policy has some institutional trappings for boosting credibility in which the Bank sets much store. One is its quarterly inflation report, which according to Mr King, will be e "visible demonstration" of the Bank's resolve to signal when remedial policy action" such as higher interest rates is

Another is the specific mandate given to Mr Eddie George when he was appointed the next governor of the Bank. Mr George, who takes over on July 1, has been told that "his central responsibility should be to support the government in its determination to bring about a lasting reduction in the rate of

But ultimately, it will be the actions of the UK authorities and their ability to keep infla-tion within the prescribed tar-get band that will determine whether the new monetary pol icy gains the credibility it currently lacks.

This will take time. At the very least, Mr Lamont will heve to avoid changing interest rates for purely political reasons, as was the case last October when interest rates fell in response to the pit closure crisis, or in conditions of muddle, as happened on January 26 when base rates were reduced to their present 6 per

### Glaxo to withdraw claims for Zantac

By John Authors in London

GLAXO Holdings, Europe's largest pharmaceuticals company, has agreed to demands by the US Food and Drug Administration that it withdraws come promotional claims ebout its ulcer treatment drug Zantac. In January this year, the FDA said Glaxo "frequently

suggests unapproved uses for Zantac and consistently makes comparative efficacy and safety claims that are not supported by adequate data". Glaxo stopped publishing the contested claims in advertising and promotional litera-ture earlier this month, but objected to the FDA's claims

and said it was unlikely to write to US doctors The company it has agreed with the FDA on the content of letter to be sent to doctors in the US, correcting its standard literature.

Discussions continue on how Glaxo's retractions should be

Zantac is the world's best selling medicine with annual sales of about £2bn (\$2.84bn), representing 45 per cent of Glazo's turnover. Annual US sales are estimated by analysts at \$1.4bn. An analyst said: "This

makes it harder for Glaxo to differentiate Zantac from Tegamet. When there is a cheaper generic version of Tagamet on the market in the US next year it may be harder for Zantac to maintain market

The company stressed yesterday that its right to distribute the drug in the US had



### COMPANIES AND FINANCE

# EFM Dragon success in battle for Drayton Asia

EFM DRAGON Trust has won control of Drayton Asia Trust, removing yet aoother investment vehicle from the the stable managed by Invesco MIM. Edinburgh Fund Managers

said it had received acceptances for its blds from 51.26 per cent of Drayton Asia's capital and 42.04 per cent of its wairants

Mr Ratan Engineer, chairman of Drayton Asia, which strongly contested the bid. admitted that EFM Dragon was "home and dry", but continued

INDEPENDENT directors of

**Buckingham International will** 

today advise investors in the

struggling hotels and oursing

homes group to sell their shares, as its cash difficulties

appear greater than previously

Their statement marks a

change of opinion on a £12.4m

offer for Buckingham's com-

mon and loan stock from Pur-

Sagem (France)

unsatisfactory for its sharebolders, as there was no offer of a cash alternative.

Last week Drayton dropped alternative proposals, which would have offered sbareholders the choice between a unit trust and a new split capital investment trust, hlaming oppositioo from CIN, the manager of the British Coal Pension Funds.

CIN has a 20.1 per cent stake in Drayton Asia, and a control-ling interest in Edinburgh Fund Managers, which man-

Naaz Holdings. Together they own 38.7 per cent of Bucking-

ham and the Takeover Panel

ordered them to bid for the

holders they should either

accept the offer or sell their

ordinary shares in the market

for a higher price. They should

retain, though, their loan

stock. Purlieus is offering 2.75p

The directors will tell share-

culate Drayton Asia's formula asset value as at March 26 before Drayton shareholders can he issued with Dragon shares under the terms of the bid. This will be done "as soon as possible".

The offer has been extended. Sir Hugh Byatt, chairman of EFM Dragon, said: "The way is now clear for shareholders and warrant holders to accept the offers in order to merge Drayton Asia with Dragon and create the largest pure Asian investment trust in the

Buckingham holders told to sell per ordinary share and 27.5p per £1 nominal of loan stock. trolled by Jemma Trust and Earlier this month the directors advised shareholders to reject the bid and retain an

> losed down \n on Friday at The group's survival, however, is now in doubt if it cannot find funding - either through project finance or asset sales - before the middle of 1993, £100m.

ongoing interest. The shares

DIDDED MACOTOD						
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT		
Kabi-Pharmacia (Sweden)	bi-Pharmacia (Sweden) Erbarnont (Italy)		£915m	Montedison agrees sale		
Anheuser-Busch (US)	Grupo Modelo (Mexico) Brewing 23		2336m	Near-18% stake a first		
Warner-Lambert (US)	Wilkinson Sword (Intl)	Tolletries	£100m	Changing hands again		
BBA (UK)	Hastely (Switzerland) Electrical engineering		€85m	BBA creating power		
BBA (UK)	MWB (Germany) Electrical sengineering		£21m	Distribution equipment group		
Minoreo (Luxembourg)	Steetley Iberia Construction (Spain) materials		£55m	Another Redland disposal		
Phoenix Home Life Mutual Insurance (US)	Unit of Altken Fund management S Hume Intl (UK)		£38m	Aitken exits US		
Bemrose Corp (UK)	Bernrose Yattendon (US) Advertising services		£12.8m	Buys out JV partner		
Paterson Zochonis (UK)	Poliena (Poland)	Detergents	£2.6m	Taking 80% stake		

# Inchcape motoring to strong performance

Andrew Bolger looks at the progress of the group since the acquisition of TKM which our response is "hang

T NCHCAPE, the international motor and husiness 🔔 services group, is today expected to report sharply increased profits and earnings, thereby maintaining its strong performance in spite of reces-

Reporting good results will also be a significant landmark for Mr Charles Mackay, who took over at the end of 1991 from Sir George Turnbull, the group's forceful chairman and chief executive.

Mr Mackay had already been chosen to work as chief executive alongside Sir George, but the chairman's sudden illness meant the succession had to he brought forward at very short notice. Sir George, who died in December, belped transform the former colonial trading house into a premlum-rated FTSE-100 stock, which currently has a market value of more than £3bn.

Wheo Sir George became ill. Mr Mackay, who had led the Far Eastern operation, was in London negotiating the £382m equisition of Tozer Kemsley Millbouro, the motors and retailing concern. The purchase, from Brierley Investmeots of New Zealand, was funded by a 1 for 3 rights issue, Inchcape's first since it was floated in 1958.

Mr Mackay said there was no time for any handover: "We were right in the middle of the

TKM deal, so one could hardly have asked for a more inauspicious start. It worked very well because the TKM deal galvanised the whole company, pulling everyone together - it was very exciting. The rights was well received in the City and it gave all of us a sense of pride.

"The more fundamental thing was George's legacy - It didn't all collapse when George himself suddenly disappeared. Inchcape under George was remarkably free of company politics. That team spirit he fostered just rode on: the momeotum was unstoppable. People also closed ranks and did it as a sort of tribute for

Sir David Orr, who was chairman of the group between 1983-86, stepped in to fill that role again until September, when Sir David Plastow arrived. Sir David. 60. is another motors veteran, having just retired as chairman from Vickers, the engineering group that includes Rolls-Royce Motors. The group has appointed

three executive directors to the board and two non-executives in the last year. Mr Mackay said: "The people who had been brought in by George in their mid-forties woke up one day and found they were in their fifties. It crept up on us and it was felt oecessary that we get the right age profile for



Charles Mackay: became chief executive at the end of 1991

our board." Mr Mackay talks enthusiastically about the TKM acquisition as a "quantum leap" for inchcape. "It broadened the range of people we were involved with and heighteoed our already very strong image with motor manufacturers. We've taken on eight motor franchises in the last year more than we did in the past

A joint venture with Peugeot, to import the French maker's cars into Japan, had caused a lot of excitement. "We have bad approaches from other manufacturers, to see what we could do for them - to on guys, we've just started this one - let's not run hefore

we've learned to walk." In spite of Inchcape's recent success, some ohservers expressed unease that the TKM deal increased the exposure to motors, lifting the proportion of sales and profits from 50 to 60 per cent.

Mr Mackay said: "One reason people are concerned is that there is a general perception that motors is a cyclical business. If you look at Inchcape and our track record, you will find that is not actually the case. We're not a Ford, and we're not a Tom Cowie [the UK motor distributor]. We're a relatively unique, as an import/ distribution specialist.

When a downturn comes, our spread of business across 26 countries means that we've managed to keep going through all recessions. The UK may be going through a tough time, but Hong Kong has just had a boom year - and so has Greece. There's not another motors group of which that is

"The big mistake people make is in assuming that size of market determines profitability - whereas almost the reverse is true."

The chief executive also expressed satisfaction with the progress of "global streaming," that is dividing the group's

activities by business motors, marketing and services such as shipping and insurance - rather than by location.

Ballesto arm

pal2hn hid

Mr Mackay said this process had undoubtedly started to produce benefits, although more remained to be done "One thing we have not yet got to grips with is the transfer of best practice. It's amazing how much resistance there is - just

sheer inertia." In spite of the success of the TKM deal, Mr Mackay sounds a cautionary note: "Acquisitions hit the beadlines - and there's a danger there, both internally and externally, that everyone starts thinking that is what it's all about.

"To put it in perspective if you go back to 1982, our motors business made operating profits of about £10-12m. By 1991 (pre-TKM acquisition) we'd got it up to about £120m. Nearly all of thet came from organic growth, doing better, selling more cars, getting more efficient."

He believes 75 per cent of growth in the motors business should come from organic growth - defined as including bolt-on acquisitions, and only about 25 per cent from larger acquisitions. "We have made it absolutely clear that does not mean we have to get that quarter - if we find the right acquisitions, we will - if we don't,

### **NEWS DIGEST C&J** Clark Turnover was down at extraordinary general meeting

### debate heats up

MEMBERS of the 500-strong Clark family will meet early this week to consider alternatives to a sale of C&J Clark, the private shoe manufacturer which is the focus of an offer from foods and property company, Berisford.

The debate will be fuelled by the publication of the company's annual results and an accompanying letter calling an

to consider Berisford's offer. The results are likely to be announced within the next

Meanwhile, it is believed that one of the four dissident directors has been rebuffed in attempts to get other bids considered. The majority of the board backs the bid from Berisford, which was invited by Clark's advisers, Schroders, to participate in the tender pro-

H Clarkson lower

Reflecting difficult trading conditions, especially in insurance, pre-tax profits of Horace Clarkson fell from £5.5m to £0.5m for 1992.

The final dividend has been cut from 5.25p to 1p for a total of 1.5p (8p). Losses per share were 1.3p (12.9p earnings).

£37.1m (£42m). At the pre-tax level, shipbroking fell to £3.5m (£4.2m) while insurance losses were £2.1m (£1.8m profits).

### **Moorfield Estates**

Moorfield Estates, the property group, turned in increased pretax losses of £2.18m for the 14 months to December 31. against a restated £1.2m in the previous year. The result bowever, was struck after provisions of £1.13m resulting from a board review of a March 1992 portfolio valuation.

Losses per share were 20.4p (11.4p) and there is no dividend

GR in the red GR (Holdings), which has interests in property, leisure and fitness, and sheepskin processing, fell £124,753 into the red in the six months ended December 31. Last time there were pre-tax profits of Turnover amounted to

£2.63m (£3.45m). Although

there were losses per share of

1.3p (1.5p earnings) the group is paying an unchanged interim dividend of 0.4p. Last time there was also a special

**Garton Engineering** Garton Engineering, the engineering components and special fasteners group, announced a sharp fall in pretax profits from £1.36m to

£254,561 in 1992. The result last time was boosted by exceptional receipts from insurers following a fire

Turnover improved to £20.2m (£19.3m). Earnings per share fell from 25.84p to 4.83p and the proposed final dividend is cut to 3p (5.25p) for a reduced total. 7

570.0

### Plasmec ahead

Despite adverse trading conditions, sales of Plasmec, the USM-quoted telecommunications and switching products group, rose by 19 per cent to £14.4m in 1992, while pre-tax profits climbed from £179,822 to £672.472.

Earnings per share were 10.4p (2.5p), while the recom-mended final dividend is 2.25p for a total of 3.75p (2.5p).

Mr John Crosse, chairman, warned that the first half would be disappointing, but be was cautiously optimistic that the second half would show a significant improvement.

### This announcement appears us a matter of record only.

Auto components n/a

# METANOL DE ORIENTE, METOR, S.A.

U.S.\$204,000,000

Project financing for a 737,000 metric tons p.a. methanol plant at Jose, Venezuela

Mujor Shareholders

Petroquímica de Venezuela, S.A. Polar Uno C.A.

Mitsubishi Corporation Mitsubishi Gas Chemical Co. Inc.

U.S.\$134,000,000

Term Loan

Provided by

International Finance Corporation

and through participations in the IFC loan by

Underwriters

Banque Indosuez

The Long-lerm Credit Bank of Japan, Limited

The Mitsubishi Bank, Limited Swiss Bank Corporation

Crédit Lyonnais

Société Générale

ING Bank

**Participants** 

Banque Nationale de Paris

Dresdner Bank AG

The Mitsubishi Trust and Banking Corporation

Union Bank of Switzerland

Deutsche Bank AG

The Dai-Ichi Kangyo Bank, Ltd. Banque et Caisse d'Epargne de l'Etat Luxembourg Banque Française du Commerce Extérieur

> U.S.\$70,000,000 Co-Financed Term Loan

U.S.\$42,000,000

Provided by

Leud Munager und Managing Agent The Export-Import Bank of Japan U.S.\$28,000,000

Pravided by

Co-Lead Manager and Administrative Agent The Long-lerm Credit Bank of Japan, Limited

Manager Deutsche Bank AG Participant ING Bank

The undersigned acted as financial advisors to Metor, S.A. and structured and arranged the financing.

International Finance Corporation

Banque Indosuez

March 1993

BusinessWeek

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Clinton Can't Put Off Foreign Policy

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SAKURA FINANCE ASIA LIMITED

(Incorporated in the Cayman Islands) US\$ 1,200,000,000

In accordance with the provisions of the Notes, notice is hereby given that the interest rate for the three month period commencing 29th March, 1993 will be 3.55% per annum. Coupon Phyment Date 29th June, 1993.

Subordinated Floating Rate Notes 2000

Coupon Amounts will be US\$9,072.22 on Notes of US\$1,000,000 13\$4,556.11 on Notes of US\$ 5,00,000 11\$\$ 907.22 on Notes of US\$ 100,000

> SAKURA TRUST INTERNATIONAL LIMITED Agent Bank

U.S. \$100,000,000 Floating Rate Subordinated Loan Participation **Certificates Due 2000** 

Merrill Lynch Bank AG for the purpose of funding and maintaining a subordinated loan to

The Saitama Bank, Ltd.

Notice is hereby given that for the Interest Period from March 29, 1993 to June 29, 1993 the Certificates will carry an Interest Rate of 3.575% per annum, The amount of interest payable on June 29, 1993 will be U.S. \$91.36 per U.S. \$10,000 principal amount of

By: The Chase Manhattan Bank, N.A. London, Agent Bank March 29, 1993

CHASE

### ANNUAL GENERAL MEETING

Notice is hereby given that the 152nd Annual General Meeting of Provident Munual Life Assurance Association ("the Association") will be held at the Barber Surgeons' Hall, Monkwell Square, London EC2Y 5BL on Wednesday, 21 April 1993 at

To adopt the Report and Accounts for the year ended 31

To re-elect the Rt. Hon. Lord Farnham, who retires by rotation, as a Director of the Associat

To re-elect Mr Peter Neville Buckley, who retires by rotation, as a Director of the Association.

To re-elect Mr Raymond Percival St. George Cazalet, who retires by rotation, as a Director of the Association

To re-appoint Price Waterhouse as Auditors of the Association, to hold office until the conclusion of the next Annual General

Mrs V. G. C. Steadr

Company Secretary, 3 March 1993

A member emitted to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Association. A form of proxy can be obtained by writing to the Company Secretary Association. A form of proxy can be obtain at the Association's Registered Address.

Provident Mutual Life Assurance Association. Registered Address: PO Box 568, 25-31 Moorgate, London EC2R 6BA





Bank of Tokyo (Curação) Holding N.V. U.S.\$800,000,000

Subordinated Guaranteed Floating Rate Notes Due 2000

Guaranteed on a subordinated basis as to payment of Principal and Interest by

The Bank of Tokyo, Ltd.

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three months period 29th March, 1993, to 29th June, 1993, has been fixed at 3-5000 per cent per annural Coupon No.11 will therefore be payable on 29th June, 1993 at US\$ 4,472:22 per coupon from Notes of US\$500,000 nominal and US\$ 447:22 per coupon from Notes of US\$50,000 nominal. The Bank of Tokyo, Ltd.

London

OFFICIAL NOTICE

ning title to these goods is invited to enter protest by means of a Sur very of the said material or the issuing of substitute warrants.

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MARCH 29 1993

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### Banesto arm launches Pta12bn bid

LA CORPORACION Banesto, the Spanish industrial holding company, is bidding for the 64 per cent of Spanish property group Inmobiliaria Urbis it

does not already own. AP-DJ reports from Madrid.
La Corporacion, owned by Banco Espanol de Credito, the Spanish bank, is offering Pia600 a share, plus Pta50 per subscription right to e capital increase, valuing the stake at more than Pta12bn.

 Sun Hung Kai Properties, the leading Hong Kong property development company controlled by the Kwok family, has announced a 21 per cent rise in net profits for the first half to December to HK\$3.24bm (US\$420m), up from HK\$2.67bn a year earlier, writes Simon

Davies in Hong Kong.

The interim dividend is set at 45 cents a share, up from 39 cents. In spite of uncertainty on the Sino-British dispute over political reform, demand for its residential projects had been strong so far this year.

 Ericsson, the Swedish telecommunications group, is plan-ning e convertible bond issue worth up to SKr2.17bn (\$281m), to belp finance acquisitions, writes Christopher Brown-Humes in Stockholm.

Assuming current market conditions, the interest rate will be about 5 per cent and on full conversion 8.4m shares will be created, equal to 4 per cent of the shares in issue.

 BTP Fougerolle, the French construction group, shrugged off the building industry slump to muster a modest increase toiniterse trading on net consolidated profits of 2,2 per cent to FFr410m (\$73.2m) in 1992 from FFr401m the year before, writes Alice Rawsthorn

It suffered losses on its property interests and was forced to make hefty provisions on the fall in value of its properties. Fougerolle, its construction business. Increased net profits in spite of a 6 per cent fall in sales to FFr37.2bn.

 Kansallis-Osake-Pankki and Union Bank, two Finnish banks bave had theirshort-ferm ratings upgraded to Al from A2 by IBCA, the European ratings agency, writes Christopher Brown-Humes.

# Vesteys to put half of NZ meat group up for sale

WEDDEL New Zealand, the meat company owned by the Vestey family of the UK though their Union International group, plans sharehold-ing changes including a search for a new large shareholder. This follows a decision by the Vesteys to sell assets to

restructure their businesses. Mr John Prendergast, Wed-del managing director, said the family planned to sell about 50 per cent of the company, which is the fourth largest in Naw Zealand. One option was to find an

overseas investor to buy 30 per cent of the company, and sell the remaining 20 per cent through a public flotation to New Zesland. Weddel has appointed Buttle

Wilson, a New Zealand sharebroking firm, and S.G. Warburg of the US to advise on a trade sale, and Cavill White Securities, another New Zealand broker, to advise on a public flotation. Mr Prendergast said the flo-tation would be scheduled for

sales of NZ\$563m (\$296.3m). It processes and markets 11 per cent of the country's mutton and lamb, 17 per cent of its beef, and 27 per cent of its

its products were sold internationally through the Weddel brand, the world's largest and most recognised internationally traded meat brand

The company has shareholders' funds of NZ\$70m, and has operated in New Zealand since 1900. Mr Frendergast said the capital raised would enable it to undertake a number of pro-

Mr Terry Robinson, Union International chief executive, said Weddel had traded successfully and because it held an important part in the global meat market, Union International was keen to retain a large strategic shareholding. Weddel's position would be

enhanced by winning an approprists partner and from addi-tional funding.

"This proposed restructuring would enable Weddel to optim-

ise its trading opportunities from the tocreasingly competi-tive position of the New Zealand meat industry and from improving prospects of global trade arising from the Uruguay round of Gatt negotiations," Mr Robinson said.

# Crédit Lyonnais hires agency

Terry Robinson: keen to keep

the last quarter of this year

with Cavill White as lead bro-

Weddel operates five large

processing plants in the North

Island. In 1992, it recorded

Mr Prendergast said most of

a large strategic bolding

ker and manager.

By Alan Friedman in New York

CREDIT Lyonnais, the state-owned French bank that controls MGM, the loss-making Hollywood studio, has taken the unusual step of hiring Creative Artists Agency (CAA), the leading Hollywood talent agency, to advise on the management and strategy of the bank's \$3bn entertainment industry loan portfolio.

The hiring of CAA; whose chairman Mr Michael Ovitz is

considered the most influential power broker in Hollywood, comes in the wake of controversy, lawsuits and a flood of red ink from MGM.

Crédit Lyonnais took control of the studio last year after a bitter court battle with Mr Giancario Parretti, the controversial Itelian finencier who received a \$1bn loan from the bank to buy MGM in

For Mr Ovitz the deal with Crédit Lyonnais marks another

step towards his goal of expanding from the bandling of movie industry talent to investment banking.
Mr Ovitz has worked on

deals such as the \$5bn acquisition of MCA/Universal, the Hollywood studio, by Matsushita of Japan and the \$3.4bn purchase of Columbia Pictures by Sony of Japan. MGM is believed to have suf-

fered a 1992 operating loss of about \$80m, or half the previ-

### Adia passes | Exceptional gains dividend and plans rights issue

By ian Rodger in Zurich

ADIA, the troubled Swiss employment agency which plunged into loss last year, has passed its dividend for the second year running and proposed a recapitalisation involving a SFr250m (\$166m)

rights issue.

The net loss, at SFr219m, was slightly larger than estimated in January, and compares with a profit of SFr25m in 1991. The group faced heavy restructuring costs following excessive diversification in the late 1980s when it was controlled by Mr Werner Rey, the disgraced financier.

Revennes were flat at SFr3.2bn. Core businesses accounted for SFr128m, noncore businesses SFr5m, with the remainder coming from write-offs. Net debt at year end was SFr922m compared with

SFr1.48bn a year earlier. The directors proposed cutting nominal share capital to SPr22.6m from SPr225.6m and nominal participation certificate capital to SFr2m from SFr20m. A rights issue would be leunched, on the basis of 11 bearer sbares et SFr100 for each nine beld and 11 class B participation certificates at SFr100 for each 45 beld.

The rights issues would be underwritten to the extent of SFr200m by Mr Klaus Jacobs and Asko Deutsche Kaufhaus, which between them hold 56.2 per cent of the votes and 43.2 per cent of the capital. .

Asko said it would consider selling its stake in 1994 or lster once the group had returned to profitability. Adia said it could have a small loss

# lift Belgian retailer as sales growth slows

UNDERLYING profits at Delhaize "Le Lion", Belgium's largest retail group, slipped in 1992, and sales growth slowed. However, the group announced a 46 per cent rise in net consolidated profits, because of exceptional gains on the disposal of Treasury stock and the sale of its Pingo Doce

The company, which forecast sharp increase in profits in January, reported net consolidated profits of BFr6.38bn (\$189.3m), against BFr4.37bn to 1991. Stripping out the exceptional gains, net profits merged at BFr3.86bn. The directors are recom mending a net dividend of

supermarkets in Portugal.

BFr20 per sbare, against BFr17.4 in 1991, and an additional BFr6.6 a share to cele-brate the group's 125th anniBFr310bn, in spite of a 7 per cent fall in the value of the

e sluggish economy and last year's alleged attempts to "smear" the reputation of the Food Lion stores for e 13.2 per cent fall in net profits after depreciation. Sales increased by 11.8 per cent to \$7.2bn, but net profits dropped to \$178m from \$205m. Despite the US dif-ficulties. Food Lion increased its chain from 881 stores to 1,012 and intends to open up to

110 supermarkets this year. Sales slowed at Super Dis-count Markets besed in

Overall sales rose by 5.3 per cent to BFr327bn from

dollar. Turnover was domi-nated by the Belgian stores which increased sales by 6.3 per cent to BFr91.1bn.
In the US, the group blamed

Atlanta, but it returned to the bleck with net profits of \$600,000. Delhaize said its Czech subsidiary, which oper-etes seven stores in Prague, earned a small profit, while its Greek operation increased operating profit.

### Girocredit cuts pay-out as profits slip to Sch1.3bn

By Eric Frey In Vienna

GIROCREDIT, Austria's third largest bank, has reported an 16 per cent fall in 1992 operating profits to Schl.3bn (\$113m) from Schl.58hn.

The bank employed Sch2bn in hidden reserves to cover provisions for bad loans last year - less than half the amount in 1991.

The dividend to its shareholders, who consist of various Austrian savings banks, has been cut from 8 per cent to 3

per cent. Mr Hans Haumer. chairman, forecast an increase in 1998 earnings after operating profits for the first two months climbed 17 per cent from the year earlier level.

Assets of Girocredit climbed per cent to Sch324bn from Sch315bn. Girocredit, which ects as a clearing bouse for Austria's savings institutions, is in talks with Erste, the Vienna-based savings bank, and several leading provincial banks to combine most of the savings and loans sector.

By Alice Rawathorn in Paris PUBLICIS, one of France's largest marketing services groups, maintained net profits at FFr148.9m (\$26.7m) last year in the face of fierce competition in the Enropean

**Publicis** 

earnings

steady at

FFr148.9m

advertising market. Mr Maurice Lévy, chairman, said that in spite of the diffi-cult trading climate Publicis had produced a "satisfactory performance" during the year. The group's turnover was static, at FFr19.9bn although Publicis said it would have risen by 5 per cent if there had been constant exchange

European advertising agen-cies bad a tough time in 1992 because of the economic slowdown and the long-term trend away from conventional media advertising to other forms of "below the line" marketing, which are often less profitable. These problems were aggraveted in France by concern ebout the effect of le loi Sapin, the new regulations on media buying.

However, Publicis managed to compensate for the sluggish state of the market by winning new business. Its new accounts include the advertis-ing for Perrier and Vittel mineral water, which it was awarded by Nestlé, the Swiss food group, following Mr Lévy's role in co-ordinating Nestlé's communications strategy during its bid battle for

Mr Lévy said Publicis hoped to maintain sales in 1993, but warned that profits could be affected by the impact of le loi Sapin and by continued cuts in marketing budgets.

### Renown remains in red for six months

By Emiko Terazono in Tokyo

RENOWN, Japan's largest clothing maker which owns Aquascutum, the UK retailer. posted continuing losses for the six months to the end of January due mainly to sluggish sales of women's wear. Renown changed its accounting year-end to January 31 from December 31. It reported non-consolidated pre-tax losses of Y6.41bn (\$55.7m) for the six losses of Y14.88bn for the seven months to the end of July 1992. Sales came to Y113.5bn, compared with Y109.2bn for the earlier seven months, having been hit by falling consumer

demand in Japan. Net losses emerged at Y5.99bn against Y14.88bn and losses per share at Y21.61 against Y68.92. The directors recommended a dividend of Y3.75 a share for the six months, against the

ary 1994, the company hopes to return into the black, expecting pre-tax profits of Ylbn on sales of Y102bn.

The company based its improved forecast on an increase in the number of shops, expected strong demand for the Aquascutum and J. Crew brand clothes and the introduction of the group's own brand, Next Eye. Renown introduced Aquascutum brand clothes in Japan last autumn and J. Crew in spring 1992.

previous seven months' Y4.4. months. This compares with For the 12 months to Janu-

### To the Holders of **Weingarten Realty Investors Convertible Debentures Due 2003**

Notice of Redemption

NOTICE IS HEREBY GIVEN, pursuant to the provisions of Section 1105 of Indenture dated as of May 9, 1988 (the "Indenture"), between Weingarten Realty Investors ("Company") and Chemical Bank, as Trustee, that pursuant to Section 1101 of the Indenture, the Company has elected to redeem all of its outstanding Convertible Debentures Due 2003 (the "Debenturea") on April 22, 1993 (the "Redemption Date") at 106% of the principal amount thereof, plus accrued interest thereon to the Redemption Date (the "Redemption Price").

On the Redemption Date, the Redemption Price on the Debentures will become due and payable upon presentation and surrender thereof (in the case of coupon bearer Debentures together with all appurtenant coupons maturing subsequent to May 9, 1993 attached) at the main offices of Chemical Bank in London and Frankfurt, at the main office of Kredeitbank N.V. In Brussela and at the main office of Banque Internationale e Luxembourg S.A. In Luxembourg.

On end after the Redemption Date Interest shell cease to accrue upon the Debentures.

The Conversion Price is U.S. \$29.50 for each U.S. \$1,000 principal amount of Debentures per Common Share so converted. The right to convert the Debentures will terminate at the close of business on the Redemption Date. Debentures to be converted should be surrendered at the offices

By: CHEMICAL BANK, as Trustee

Dated: March 22, 1993

Under the Interest and Dividend Tax Compliance. Act of 1983, we may be required to withhold 31% of any gross payments made within the United States to certain holders who fail to provide us with, and certify under penalties of perjury, a correct tempayer identification number or social security number, as appropriate) or an examption cartificate on or before the data the securities are presented for payment. Please therefore provide the appropriate certification when presenting your securities for payment.

BANK OF QUEENSLAND LIMITED US\$120,000,000 MULTIPLE OPTION FACILITY AGREEMENT DATED SEPTEMBER 22, 1992

In assortance with the provisions of the Trumfurshie Lorn Carlificate layers on September 23, 1992, union in heavy given that for the six ments interest period from March 21, 1993 to September 29, 1993 the Carliffons will carry an Imment Rate of 3,00% per mount. Bardeys Bank PLC, Hong Kon As Agent.

**Appointments** 

Wednesday & Thursday Friday

# Advertising

appears every (International edition only)

SOCIETE GENERALE JPY 5, 000, 000, 000 7% Bull Bonds due 1993 (the "Buil Bonds") and

(the "Bear Bonds") Notice is hereby given that the Redemption Amounts applicable to the Bull Bonds and to the Bear Bonds on 6th April 1993 (the maturity date) have been calculated as follows, according to the formula described in condition 4."Redemption and Purchase" of the

JPY 5, 000, 000, 000

7% Bear Bonds due 1993

Terms and Conditions of the Bonds:

a) Bull Bonds: 108.39 - 20.55 = 87.84%, i.e a redemption amount of JPY 8,784,000 per each Buff Bond in the denomination of JPY 10,000,000

b) Beer Bonds; 195.45 - 108.39 = 87.06% Le. a redemption amount of JPY 8,706,000 per each Bear Bond in the denomination of JPY 10,000,000

where 108.39 is the final futures settlement price on the Tokyo Stock Exchange of the Japanese Government Bond Future Contact with a standardised coupon rate of 6% and a standardised maturity of 10 years, redeemable at par having its settlement date on 8th December 1992.

> The Fiscal Agent, SOGENAL SOCIETE GENERALE GROUP 15, Avenue Emile Reuter LUXEMBOURG

### NOTICE OF PAYMENT OLYMPIA & YORK FIRST CANADIAN PLACE LIMITED 11.00% Series 3 Secured Bonds due 1993

NOTICE is bereby given that on March 31, 1995 a partial payment of Cdn.555.00 for each Cdn.51,000 principal amount of Olympia & York First Canadian Place United 11% Series 3 Secured Bonds due 1993 (the "Series 3 Bonds") will be available to holders from The Royal Trust Company, trustee under the Trust Deed dated as of September 19, 1988 pursuant to which the Series 3 Bonds were issued. Bolders may obtain partial payment on this date by presenting the original Series 3 Bond certificate to any of the following paying agents:

Bank of Montreal 11 Walbrook, 2nd Floor London ECAN SED

Luxembourg Credit Suisse 8 Paradeplatz 8021 Zurich

Kredietbank NV. 7 Rue d'Arcoberg 1000 Brunelles

Bank of Montreal Pirst Canadian Place Toronto, Omario, M5X 1A1

Series 3 Bonds presented for payment will be marked to show the partial payment and returned to the holder. No interest or other income on or in respect of the payment amount will accrue to holders presenting Series 3 Boods after March 31, 1993

Persons having an interest in Series 3 Bonds maintained in the Euroclear or Cedel clearing systems need not present such Series 3 Bonds for payment, as arrangements have been made for the payments in respect of such Series 3 Bonds to be made through the eleating systems.

Any inquines concerning the payments may be directed to the Principal Paying Agent, Bank of Montreal, London Office, Attention: Manager, Fiscal Agencies, telephone Dated this 29th day of March, 1993.

THE ROYAL TRUST COMPANY

### **GROWTH IN 1992 CONSOLIDATED EARNINGS**

The BSN Board of Directors, meeting an March 23, 1993, examined the audited Group consolidated financial

As announced at the end of January 1993, Group net income amounted to FF3,638 million, up 5.6% on the 1991 result of FF3,445 million excluding non-recurring items associated with the divestment of the champagne

Cash flows from operations increased by 7% to FF7,399 million.

Group operating income

### THE MAIN CONSOLIDATED DATA FOR 1991 AND 1992

FF millions (except EPS, in FF)	1991*	1992
Soles	66,069	70,840
Operating income	6,701	7,117
Net income (Group share)	3,445	3,638
Earnings per share (fully diluted)	.53,30	55.60
Cash flows from operations	6.918	7,399
Capital expenditures	3,358	3,597
Free cash flow	3,560	3,802
Stockholders' equity	26,257	28,149

re net interest expense and income taxes) by Division is shown below: Operating income (i.e., inc

\* Excluding non-recurring items resulting from the divestment of the champagne business

ti.e., modile belore her interest ext	sense and income taxe	si nà masion is
FF milions	1991	1992
Dairy, Products Grocery Products & Pasta	2,083	2,537
Grocery Products & Pasta	1,224	1,027
Biscuits	1,202	1,102
Beer	806	899
Mineral Water	719	908
Containers	789	730
Total operating income of Divisions	6,823	7,203
Unallocated items	(122)	(86)
Group operating income	6,701	7,117

Dairy Division company Danone S.A. in Spain has been consolidated since July 1, 1991.

1992 figures include for the first time income from Grocery & Pasto Division companies France Plats Cuisinès in France and Pycasa (frozen foods) in Spain, Biscuit Division company W&R Jacob in Ireland and Mineral Water Division company Italaquae in Italy.

### PROPOSED DIVIDEND PER SHARE

The Board of Directors opproved 1992 financial statements for BSN, the parent company of the Group. Net income of the parent company amounted to FF1,186 million. In 1991, net income of the parent company amounted to FF819 million excluding a capital gain on the sale of champagne assets.

The Board of Directors is to ask the General Meeting of Shareholders' on May 18, 1993 to approve a dividend of FF15 per share out of 1992 income, setting the total dividend per share, inclusive of tax credit at FF22.5. After adjustment for the one-for-ten bonus stock issue made in August 1992, this represents on increase of 13.8% on the dividend paid out of the previous year's income.

As was the case last year, shareholders will be given the option of receiving their dividends in shares issued at a price equal to 90% of the average of opening prices on the 20 trading days preceding the General Meeting of Shareholders ex-dividend.













# The pitfalls of peering into the future

European exchange rate mechanism, combined with large cuts in interest rates, would be o fall in the pound probably unprecedented in the last 40 years... And quite soon interest rates would have to go back up again – to much higher levels than they are today." - Mr Norman Lamont, UK chancellor of the exchequer, July 10 1992.

RECENT events in the gilts market have underlined the pitfalls of peering into the future. Not only have short-term interest rates fallen aince Britain was forced to leave the ERM last September, but the same trend has been apparent for long-dated gilts which are more important in determining long-term borrow-

The events of the past six months illustrate that the economic theory behind the chancellor's speech to the European

"THE result of leaving the Policy Forum last July was of counter-inflationary credibilextremely flimsy. They also indicate the degree to which the environment for international bond markets has improved, due to slow growth and generally weak inflationary pressures in many parts of the developed world.

Even though last week yields for most classes of gilts moved up ahead of this week's bigest-ever gilt auction, the market has performed far better in recent months than most people in the Treasury and the Bank of England appear to have expected last autumn.

Mr Mervyn King, the Bank's economics director, apelt out in a speech last week how official thinking has shifted. "Departure from the ERM led to sharply lower expected interest rates in the short run.

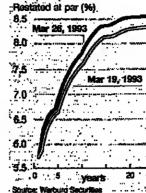
"By contrast, rates in the long run were expected to be higher than before, suggesting that that there was some loss ity from our [ERM] exit. But this loss was small, and since then there appears to have been some restoration of longrun credibility."

Since the ERM exit. bank hase rates have come down from 10 per cent to 6 per ceot. Ten-year gilt yielda have dropped from 9.1 per cent to 7.7 per cent, while yields for 25year bonds have moved from 8.8 per cent to 8.5 per cent. Over the same period, the

difference hetween yields for 10-year gilts compared with 10year German government honds has come down from about 1.5 percentage points to about 1.1. This indicates interinvestors have national reduced the extra "risk premium" they demand for holding UK securities as opposed to German ones.

The move to lower gilt yields has partly reflected the shift in this direction for virtually all

UK gilts yield



the main bond markets since the autumn. It also underlines

reduced worries about price pressures in the UK economy over the next year or so. together with only muted concern about the level of gilt issues needed to finance the growing public sector borrowing requirement.

> the week of about 2 points as measured by the June gilt

The reduction in prices probably augurs well for the success of the auction - the first in a series due roughly once a month over the coming year as It increases the probability that foreign and domestic buyers will want to buy gilts.

CANADIAN PACIFIC 7 1/2 96...... CANADIAN PACIFIC 7 1/2 96......

Meanwhile, buying pressure for gilts has been helped by the

more resilient tone to sterling

The pound gained 1 pfennig

on Friday to close against the

D-Mark at DM2.43, some 10

ofennigs up from its DM2.335

evel at the beginning of the

Over the next few months,

many bond specialists expect

gilt prices to fall with a conse-

quent rise in yields, as the

implications of the expected

250bn PSBR in the financial

year beginning next week sink

Such thinking was a factor behind the 15 basis point

increase in yields at the long

end of the gilt market last

week, with attention focusing

on the £3bn auction next

20-year stock - the 8 per cent

due to be auctioned by the

Bank led to some technical

switching down the yield

curve, leading to a price fall on

News of the amount of stock

bond due in 2013.

Wednesday of a new class of

in recent weeks.

month.

Peter Marsh

# Fears of inflation continue to haunt bond investors

for the US Treasury bond market. Investor sentiment continued to be increasingly bearish. the price of the benchmark 30year Treasury hond fell hy more than one and a half points on the week and fears about inflation were still

haunting the market. Bond investors bave in the last few weeks convinced themselves - albeit in a rather artificial and perhaps even mistaken manner - that they were staring at all the ingredients needed for a sell-off.

Since mid-March, when fears of inflation were rekindled hy statistics that in retrospect seem misleading, the market bas been in a distinctly sour Last week this worsened

after professional dealers ended up holding the bulk of more than \$26bn worth of new two and five-year Treasury notes that were auctioned. The malcontents of the market prevailed so substantially

that it turned out to be of little consequence when, last Thursday the Senate approved President Clinton's deficit-reducing budget package faster than had heen expected.

Bond prices continued to slide on Friday and the only explanation is that all the good news about the deficit reduction measures and prospects

LAST week was not a good one for economic recovery had already been priced into the market back in January, at the time of Mr Clinton's state of the union message.

Ms Kathleen Camilli, chief economist at Maria Fiorini Ramirez, the bond market advisory firm, reckons the perceptions of both faster growth and higher inflation have been overdone.

She, like other economists, says the reason is that some of the recent consumer price and producer price statistics overstata inflationary pressures. "In reality, inflation is still running at about 3 per cent annually and it will continue to be held down by global competitive pressures and moder-

ate wage gains."
Mr Philip Braverman, DKB Securities chief economist, takes a similar view: "For the moment the market is responding to misleading suggestions that the economy is strengthening, that inflation is mounting and that credit growth is beginning to accelerate." in fact, according to Mr Braverman, credit is still constrained and inflation will dissipate with a renewed economic slow-

down. Since the February employ-ment report was released on March 5 the bond market has been functioning in a trading range of yields between 6.75

-.02 3.3125

per cent and 6.92 per cent on 30-year paper. On Friday, the price of the 30-year Treasury bond was 1024 to yield 6.94 per cent, compared to a price of 103# and a yield of 6.81 per cent a week before. The current yield is the highest level since January.

It didn't help matters that last week's auction of \$15.25hn of two-year notes and \$11bn of five-year notes put the paper mainly in the hands of professionals. Retail buyers remained on the sidelines.

This week the market will focus on the new unemployment report that is due to be released on Friday. Ms Camilli forecasts an unchanged unemployment rate of 7 per cent and the addition of 137,000 payroll jobs for the month. That compares to a Fehruary rise of 365,000 such jobs, but this num ber will probably be revised downward by about a sixth.

Mr Braverman argues that Treasury hond investors should not only reverse their sell-off mentality, hut expect lower yields in the near term. However, this will depend on other factors such as the first quarter GDP report, to be released at the end of April, and the Treasury's plans for its May refunding operation, to be announced in early May.

Alan Friedman

150 110% 200 108%

8.37

# Budget deficit worries bolster yields

A BOUT of nervousness struck overseas interest rates. the Australian government bond market last week as it became clear that the reelected Labor administration and the Reserve Bank are beading for a disagreement about the growing federal bud-

The unease sparked a wave of selling on Friday which raised yields across the board. The yield on the October 2002 Treasury bond rose 20 basis points to 7.93 per cent, that on the September 1995 bond increased by 10 basis points to 6.38 per cent, and 90-day bank bills finished two points higher

at 5.34 per cent. The sell-off interrupted a sustained rally which had cut the yield on the 10-year bond from around 9 per cent in mid-January to just over 7.5 per cent on

March 19. The rally was triggered by a catalogue of factors, including a reduction in inflation to an OECD low of 0.3 per cent; signs that economic growth is beginning to pick up; receding prospects of a balance of payments crisis; and a firmer Australian

The announcement of an early election, subsequently won hy the incumbent Labor Party, also helped by eliminating political uncertainty and

eventually materialised last

The rosy outlook dimmed on Friday, after Mr John Dawkins, the finance minister let it be known that he regarded the budget deficit as a less important issue than the need for growth to reduce unemployment from its near record level

of 11.1 per cent. must be reduced over the dollar following cuts in medium term to provide room

increasing the prospects of a cut in official rates, which In the event, the Reserve

Bank restricted the easing to half a percentage point, disappointing the equities market, but in line with expectations in the bond market which bad marked down the yield on 90day bills to 5.26 per cent before the announcement,

Mr Dawkins' view was in stark contrast to a warning issued earlier in the week by Mr Bernie Fraser, the Reserve Bank governor, that the deficit

for an increase in private

The finance minister was presumably aware of the impact his reported views were likely to have on the bond market, since a similar outhreak of concern about perceived fiscal laxity after his August 1992 hndget pushed the 10-year bond yield from about 8.3 per cent to more than 9 per

This time round, the market wanted rapid confirmation from the government that it remains determined to reduce the deficit, which is forecast at A\$15.9bn in the year to June. "An explanation is needed, said one trader. "If this guy is

serious, then bonds should not be at current levels." However, Mr Dawkins failed to clarify his reported views, leaving the market stewing over forecasts hy husiness economists that the deficit could rise to A\$20bn next year

unless urgent action is Ms Ivana Bottini, an economist at Citibank in Sydney. says the market's main fear is that an expansionary fiscal policy risks triggering a sharp rise in domestic consumption, a current account crisis and a rehirth of inflation.

Ms Bottini helieves these fears are exaggerated in view of the sluggishness of Australia's recovery from the 1990-91

However, they raise the prospect that Mr Fraser might feel constrained to raise interest rates to keep inflation low and head off overseas pressure on the Australian dollar.

The optimistic view is that Mr Dawkins will take sufficient action in his August budget to convince the markets that the government is serious about restraining inflation and balancing the federal books. That would lay the groundwork for a further rally across the board.

But the finance minister's lack of concern suggests that he intends to stand by his view that the deficit will disappear as growth accelerates.

Friday's events suggest that the market does not believe

Kevin Brown



USO 500,000,000 Undated Subordinated Floating Rate Notes Notice is hereby given that the rate of Interest for the period from March 29th, 1993 to September 29th, 1993 has been fixed at 3,3875 per cent per annum. The coupon amount dus for this period is USO 173,14 per USO 10,000 denomination and USO 1,731,39 per USO 100,000 denomination and is payable on the interest payment date September 29th, 1993.

The Fiscal Agent Banque Nationale de Paris (Luxembourg) S.A.

US \$200,000,000 BATIF

Guaranteed Floating Rate Notes due 1996 with

For the period from March 29, 1993 to September 29, 1993 the Notes will carry an interest rate of 37.7 per annum with

The interest amount per Floor tranche 8; UN \$16.61

Société Anonyme



SNOT 7 1/4 94.
SNOT 7 1/2 98.
SPAN 8 1/2 99.
SPAN 8 1/2 99.
STATE BR NSW 8 1/2 96.
SNEDEN 9 1/4 98.
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TOKYO ELEC POWER 7 3/4 97.
TOKYO METROPOLIS 8 1/4 96.
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Notice of Redemption to the Holders of

LEO 1 PLC Class A1, Class A2 and Class B Mortgage Backed Floating Rate Notes Duc 2035

NOTICE IS HEREBY GIVEN that, pursuant to Condition 5(C) of each class of Notes, the Issuer has determined the following Class 11 Principal Payment per Note :£3,700 Principal Amount Outstanding :£76,360,000

There will be no redeoptions in respect of Glass A2 and Class B Notes.

LEO I PIC

: April 1, 1993

The interest amount per Floor Warrant tranche A: US \$23.00

Floating Rate Subordinated Loan Participation Certificates due 2000 Issued by Yamaichi International (Deutschland) GmbH for the purpose of funding and maintaining a subardinated loan to The Hokkaida Takushoku Bank, Limited In accordance with the provisions of the Loan Agreement, notice is hereby given that for the three month Interest Period from March 29, 1993 to June 29, 1993 the Loan Participation certificates will carry an

**CAPITAL REAL ESTATE LIMITED** NEWBURY Building Society Interest Rate Charge Notice TESSA T Type: New rate will be 6.45% from 1.4.93 Head Office: 17/20 Bartholomey St.Newbury, Berkshire RG14 5LY (0635) 43676 U.S.\$200,000,000 Interest Rate of 3.55% p.a. and the Coupon Amount pe U.S.\$250,000 nominal of the Notes will be U.S.\$2,268.06. March 29, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANCO

MARCH 29 1991

7 %

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NEW issues in the international bond market reached a record high in the first quarter of this year, reflecting a favourable environment of falling interest rates and an increase in funding requirements, especially from sovereign borrow According to provisional figures from Euromoney Bondware, new Eurobond issuance for the first quarter to March 26 stood at \$115.2bn, well above the previous record high of \$84.5bn achieved in the same quarter last year. New issuance in the first three months of

INTERNATIONAL BONDS

this year represented 42 per cent of the record \$274.4hn raised in the whole of 1992. Syndicate managers do not believe that new issuance will con-tinue at the same pace in the second quarter, unless there is another currency crisis in Europe. That would prompt European central banks to borrow in foreign currencles to fill up their reserves once

Many of the larger borrowers, especially the sovereign names, are believed to have achieved between 40 per cent and 60 per cent of their

ELSEVIER

Amsterdam

**Annual General Meeting of Shareholders** 

at the Company's headquarters, 4 Van de Sande Bakhuyzenstraat, Amsterdam, at 10,30 s.m. on Wednesday, 21 April 1993.

The agenda includes the Executive Board's report on the Company's affairs during 1992, approval of the 1992 Annual Accounts, and a reappointment to membership of

The documents for the meeting and a proxy form are available for UK-resident shareholders at the offices of

Reed Elsevier plc (corporate relations dep.), 6 Chester-field Gardens, London WIA IEJ. Registered shareholders and other registered holders of registered indices and other registered indices of voong rights are estitled to attend the meeting, either in person or by proxy suthorised io writing, if the Executive Board has been notified in writing, by no later than 19 April 1993 of their intention to attend the meeting.

Holders of bearer shares are entitled to attend, either in

person or by proxy suthorised in writing, if their share certificates have been deposited, by no later than 19 April 1993, with a branch of any of the following banks: Pierson, Heldring & Pierson N.V., ABN AMRO Bank N.V., Ratiobank Nederland, Internationale Nederland

den Bank N.V., Bank Mees & Hope NV, Hollandsche Bank Unie N.V. or Credit Lyomais Bank Nederland N.V. in Amsterdam, Rotterdam, The Hague or Utrecht. Receipt of deposit serves as admission to the meeting.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

Notice is hereby given that the ANNUAL GENERAL MEETING of the Society will be held in the SOCIETY'S HEAD OFFICE No 28 ST

ANDREW SQUARE, EDINBURGH on Thursday 22 April 1993 at

12.30pm to consider the Accounts and Balance Sheet and Reports of the

A member of the Society entitled to attend and vote at any Annual General Meeting is crailled to appoint another person to attend and vote instead of him. Proxies must be lodged at the Society's Head Office not less than 48 hours before the time for holding the Meeting.

Directors and the Auditors, to elect Directors, to determine the re-to be paid to the Directors and to re-elect the Auditors.

**Executive Board** 

By Order of the Board

DA BERRIDGE

the Supervisory Board.

Amsterdam. 29 March 1993

Eurobond issuance sets record in first quarter 1998 funding requirements already in the first quarter. "The new issuance calendar ts likely to be much more opportunistic to the second quarter," one syn-

المكنان المحال

dicate manager said.

Syndicate managers said thet the high volume in the first quarter is closely linked to the rally seen in bond markets across the world, fuelled by expectations of lower interest rates, especially in Europe.

These hopes have been fulfilled by the Bundesbank's decision in recent weeks to lower its interest rates, which has in turn eased the tenzion between member currencies of the European exchange rate mechanism (ERM).

Falling interest rates have coincided with a large rise in borrowing needs among European countries, either to fund ever-growing public deficits or to replenish foreign exchange reserves depleted by heavy intervention in the currency market to shore up their respective

currencies. The Eurodollar sector of the international bond market continued to be the most active in the first quar-

ter, accounting for 38.8 per cent of the total volume compared with 28.2 per cent in the first quarter of last

The volume figures partly reflect the growing popularity of global bond issues, a concept pioneered by the World Bank in 1989.

The process of offering bonds simultaneously in the US, Europe and Asia Pacific allows borrowers to raise larger sums and to place the paper at the best possible price. So far this year, dollar-denomi-nated global bond issues amounting to \$8.75bn have been launched by the World Bank, the Province of Ontario, the Republic of Finland, Ford Motor Credit Company, and the Kingdom of Swe-

Eurobond volume in D-Marks rose to second place or 20.2 per cent of total issuance in the first quarter, from fourth place or 10.7 per cent in the first quarter of 1992. This reflects the marked increase in demand for D-Mark paper from investors seeking a safe haven during the period of ERM currency vol-

At the same time, the collapse of

**NEW INTERNATIONAL BOND ISSUES** 

the Ecu market meant that the D-Mark sector was one of the few areas of the Eurobond market which offered sufficient liquidity to borrowers needing to raise large

The volume of new Ecu bonds remained low at the equivalent of just \$1.9bn, compared with \$14.6bn in the first quarter of 1992, in spite of efforts by the French government and some of the European Community agencies to revive investor interest in Ecn-denominated

Favourable arbitrage opportunities, as borrowers moved to reduce their funding costs by borrowing in one currency and swapping into another, were the main reason for the big increase in Canadian dollar Eurobonds this quarter. Syndicate managers estimate that

large part of the equivalent of \$12.9bn worth of Canadian dollar Burobonds raised so far this year up from \$4.4bn at the same stage last year - has been swapped into other currencies.

The Eurostering sector of the international bond market rose up the volume table, as an increasing

RISK AND REWARD

# Questions over growth of banks' off-balance sheet exposure



number of domestic and interna-tional borrowers decided to lock

into the lowest interest rates

that the UK has seen since the

to 10.9 per cent of the total volume

in the first three months of this

year from 6.7 per cent in the same

period last year.

The sector saw a record for a sin

gie transaction, as Abbey National raised £650m through an issue of 10-year Eurobonds, beating the pre-vious record of £600m held by the

Apart from the Ecu sector, the

other main loser in the first quarter

has been the Euroyen area of the international bond market, as

issuars were discouraged from

borrowing in yen due to its appreciation against other curren-

New issuance to yen dropped to the equivalent of \$10.9bn from \$12.2bn in the year-ago period, while its share of the total volume

fell to 9.5 per cent from 14.4 per

Book runner

JP Morgan Securities Barciays de Zoete Wedd S.Montagu/SG Warburg Nat/Veet Capital Markets

G.Sachs/IBJ/RBC/Scotia

Goldman Sachs Intl. JP Morgen Securities Salomon Brothers Intl. ScotlaMcLeod

Deutsche Bank London

10,972

Hambros Bank IBJ Intl./ Paribas

101,825 Credito Italiano 101,35 Banca di Roma

Price

100.25

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100.845

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101.64

102.5 UBS

Antonia Sharpe

Kingdom of Sweden.

THE counter derivatives markets may continue to expand but the off-balance sheet credit exposure of banks invoived in them has ceased to

If anything, off-balance eheet risks shrank last year. That is the conclusion to be drawn from the recent accounts of three of the largest US commercial banks.

Citibank, Bankers Trust and J.P. Morgan are among the half-dozen or so of the biggest US banks in the ver-the-counter markets, alongside Chemical, BankAmerica and Chase Manhattan. Notes to their 1992 accounts show the pace at which their derivative portfolios are growing, but in a way that is not adding to their real exposures - at least, according to the banks' own mea-

surement of those risks. Between them, the three banks were involved in interest-rate related derivatives with a notional value of over \$2,000bn et the end of 1992, up from under \$1,500 a year before. However, the implicit credit risk in these instruments actually fell, from \$26.1hn to \$22.9bn.

The reason? The amount at risk is not directly related to the scale of the contracts, but to the extent to which each contract is showing a gain. In other words, if a counterparty stopped paying, say, the fixedrate leg of an interest swap agreement, the scale of the loss would depend on how profitable the swap has become to the bank.

If the payments were at 6 per cent, compared with a market interest rate of 5 per cent, then the bank would face a cost from the lost income stream. That lost income. discounted back to present value, is the replacement cost of the contract. The static or falling credit exposure of the banks last year suggests that the income they are receiving on the average interest rate contract is closer to market levels than a year before. In volatile markets, these credit figures could rise or fall sharply as the gain on particular contracts rises or falls.

According to a recent joint report from the US Federal Reserve, Federal Deposit Insurance Corporation and Office of Comptroller of the Currency, most of these risks are concentrated in a small number of

over-the-ir derivatives ts may con-ing and controlling their derivatives exposures. Their report - Deriva-tive Product Activities of Commercial Banks - raises none of the concerns over the growth of the derivative markets seen in some

official quarters.

A similar picture – of rising trading volumes but static credit risk – emerges from foreign exchange-re-lated derivatives. The three banks added about \$400bn of exchange-re-lated derivatives in tarms of notional value, taking the total to \$1,800bn at the end of 1992. The credit risks associated with these contracts edged down to \$40bn.

Taking the banks as a group, the growth in volume, by about a third, was consistent across most of the different exchange and interest rate products - swaps, options, futures and forwards. However, there were sharp differences between the banks in terms of which instruments each had been most active in: • The notional value of J.P. Morgan's interest rate swap portfolio umped to \$368bn at the end of 1992 from \$250bn a year before.

 Options were the fastest-growing interest rate product, with the out-standing amounts jumping to \$570bn from \$330bn. Also, Bankers Trust's invoivement in interest rate futures and forward contracts soared to \$246bn from \$75bn.

• In keeping with its strong posi-

tion in foreign exchange, Citibank's outstanding forward contracts and futures in the exchange markets leapt by \$200bn to nearly \$800hn.

The growth of equity and commodity derivatives was confirmed by J.P. Morgan's disclosure that outstanding notional amounts in

these markets had risen to \$38.8bo from \$18.3bn. Bankers Trust, though, reported that the notional value of "other contracts" (mainly equity and equity index options) had fallen to \$29bn from \$58bn. At least some of these amounts will start to appear on US bank balance sheets from next year, fol-

lowing a Financial Accounting Standards Board ruling. According to Bankers Trust, had the ruling been in force now, it would have swollen the balance sheet by \$14bn. hitting its ratio of equity to total

**Richard Waters** 

### Av. He years Coupon Borrowers Leo 1(p)‡ RTZ Canada For Bestricity US DOLLARS : Jul.2035 4.15 5,68 10 3.84 (p) 7.25 8 (X) 100 Niddo Europe 100 Norsara International 1010 Sviese Bank Corp. 101.05 JP Morgan Securities 98.7205 Bankers Trust Intl. 99.875 Morgan Stanley Intl. JP Morgan Sacurities 98.48 Cikbenk international 98.47 ING Bank 97.67 Socimer Intl. Bank 100 Martil Lynch Intl. Nippor Yusen KK(s)d Keisel Electric Relivey(b)d Roche Holdings(c)d Abbey Nat.Trees.Services Dec.1998 Mar.2003 100 200 Apr. 1997 1,625 Apr.1996 Apr.2000 4,370 9,180 CANADIAN DOLLARS ex. Manau Branchiche 9.125 Apr.2003 Ontario Hydro(e)# Bayerische Hypoban 11.160 9.640 11.249 11.093 Nov.1996 Oct.1998 Apr.1998 Apr.2003 3.5 5.5 Apr. 1998 7.25 7.125 7.75 7.375 6.75 Apr.1998 Oct.1995 Oct.1996 Kingdom of Norway Eurofima . European investment Bank BCN Berclays Banco de Inv. Banco Multiplici 100 99,625 Mortgage Bank of Denmark Province of Newfoundland(s Apr.1998 May-2003 Genfinance Luxembournille Banco do Brasili 10.599 Sam Yang Co.(i)(i) Benco Bozano Simo Jindo America(); ATAT Apr. 1998 Oct. 1995 100 CSFIs 99.7313 Mertil Lynch Intil 100 Deewoo Secs.(Europe) 101.305 CSFIs 100.325 Swiss Bank Corp. 100 Chase Investment Bank 100 Chase Investment Bank 100 Creditanstalt CSFB Martil Lynch Intl. Deutsche Bk.Fin.Curaceoffit 100 10.500 ITALIAN LIRA Apr.1998 Apr.1998 Apr.2000 Apr.1996 400 150 100 5.321 Grupo Televisalvi; Grupo Televisalvi; **PESETAS** Apr.2003 YEN . SWISS FRANCS Nildo Europe Dalwa Europe, Goldman Sachs Intl. Yamalchi Intl.(Europe) Suzuki Motor Corp. Suzuki Motor Corp. Heiler Financialini; Jul. 1998 Jul. 1997 101,55 101.5 6.27 6.27 4.75 4.35 Mopon Meat Packers(c) + 0 10ba 3.857 Province of Manitoba 150 Apr.2008 10. 5.25 102.5 UBS 4.927 Final terms and non-catalobe unless stated, 4-Private placement, 6-Convertible, 6-With equity watersite. 3-Floating rate note, 6-Variable prices 155. Fix 118.457/R, b) Deston.1 \$10,000 + 2 watersite prices 17107. Pix 118.457/R, b) Deston.1 \$10,000 + 2 watersite prices 17107. Pix 118.457/R, b) Deston.1 \$10,000 + 45 watersite prices 17107. Pix 118.457/R, b) Deston.1 \$10,000 + 45 watersite prices 17107. Pix 118.457/R, b) Deston.1 \$10,000 + 45 watersite prices 17107. Pix 118.457/R, b) Deston.1 \$10,000 + 45 watersite prices 17107. Pix 118.457/R, b) Deston.1 \$10,000 + 45 watersite prices 17107. Pix 118.457/R, b) Deston.1 \$10,000 + 45 watersite prices 17107. Pix 118.457/R, b) Deston.1 \$10,000 + 45 watersite prices 17107. Pix 118.457/R, b) Pix Furukawa Co. Mitsublahi Petrochemical Co. 3.944 D-MARKS . Metalloggelischaft Finance Apr,1998 Deutsche Bank Oresdner Bank 300 6.816 Altienz Finance(h) ф FRENCH FRANCS Soc.Gán Acceptanceir): 300 Jun-2003 100.875 Société Générale STERLING 99.899 NatWest Capital Markets 7,259 100.142 Barcleys de Zoete Wedd 7.348 Apr.2000 Legal and General Group(n)S# Apr.2008 CSFB:

### COMMERCIAL UNION PRIVILEGE PORTFOLIO SICAV Registered Office 41, avenue de la Care, Centre Mercure, 8th floor L-1611 LUXEMBOURG

R.C. Luxembourg B32640 NOTICE OF AN EXTRAORDINARY GENERAL MEETING Notice is hereby given that an Extraordinary General Meeting of shareholders of COMMERCIAL UNION PRIVILEGE PORTFOLIO SICAV will be held at Centre ercure, 7th floor, 41, avenue de la Gare, L-1611 Luxembourg, Grand-Duchy on 6th April 1993 at 4.00 p.m. in the presence of the notary, for the following purpose: To change the first paragraph of Article twelve of the Articles of Association from: "Shareholders will meet upon call by the Board of Directors, pursuant to notice setting forth the agenda sent by registered mail at least eight days prior to the meeting to each shareholder at the shareholder's address in the Register to Shareholders."

"Shareholders will meet upon call by the Board of Directors, pursuant to notic setting forth the agenda sent at least eight days prior to the meeting to each shareholder at the shareholder's address in the Register to Shareholders."

In order to pass the Resolution there is a requirement for a representation of 50% of the shareholding and for no less than two thirds of the votes cast thereon to be in

in order to vote at the meeting, the holders of bearer shares must deposit their shares not later than Tuesday, 30 March 1993 either at the registered office of the Fund, or with any bank or financial institution acceptable to the Fund, and the relative deposit Accepta (which may be obtained from the registered office of he Fund) must be forwarded to the registered office of the Fund to arrive not later than senday, 30 March 1993. The shares so deposited will remain blocked until the day following the Meeting or any adjournment thereof.

### COMMERCIAL UNION PRIVILEGE PORTFOLIO SICAY

Registered Office: de la Gare Contre Morce

R.C. Lescombourg E32640 NOTICE OF ANNUAL GENERAL MEETING

eral Meeting of shareholders of COMMURCIAL UNION PRIVILEGE PORTFOLIO SICAV will be held at its registered office, 41, avenue de la Gere, L-1611 Laxembourg, Grand-Duchy on Tuesday 6th April 1993 at 3:00 p.m. with the following

31 December 1992:
To receive and adopt the Statement of Net Assatz, Statement of Operations and Statement Changes in Net Assatz and in Issued States for the year ended 31 December 1992; Discharge of the Distorce and of the Antilion.
To re-exposint the existing Directors and to antilorise the Directors to fix the Antilion tors and to authorise the Directors to fix the Auditors

In crear to won at the meeting, the holdest of beaver shares must deposit their shares not later than 2 April 1993 either at the registered office of the Ford, or with any battle or financial institution acceptable to the Ford, and the relative Deposit Receipts (which may be obtained from the registered office of the Furd) must be forwarded to the registered office of the Furd matter than them. I have 1991 the themes, deposite their remain involved until the day following the Meeting or any adjointment thereof.

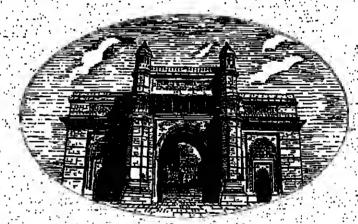
The holdest of registered obsers used not deposit their certificates but out to present in person or represented by a day appointed were.

age of registered states to the manufacture of the papers are invited to cand a dely con-ducts who counce attend the meeting in papers are invited to cand a dely con-ed source form to the registered office to acrive not later than 2 April 1993. and signed proxy form to the registered off Proxy forms will be sent to registered at



**CURRENCY MANAGEMENT CORPORATION PLC** NCHESTER HOUSE, 77 LONDON YIALL, LONDON ECZM: /EL: 071-302-6745 FAX: 071-382 9487 TELEX: 8812501 CM POREIGN EXCHANGE IN HOUR LONDON DESK DIRECT ACCESS TO EXPERIENCED DEALERS DOLLAR AND CROSS RATE CURRENCES

From today, the road to success in the **European Community will** pass through India.



While the EC is entering unfamiliar territory, we believe it isn't breaking new ground, just after World War II, 8000 miles to the east, 18 even more varied states and principalities came together as one economic and (here's the difference) political entity.

We travelled the rough road to the modern world side by side with India.

We are India's number one bank. State Bank of India, known simply as SBI.

We've grown but never lost touch with our commitment to the country's growth. We regularly craft schemes that finance small and medium scale industry, entrepreneurs and professionals. When the capital mobilisation process started gaining momentum, we formed SBI Capital Markets to

accelerate the process through sophisticated techniques. When Indian businesses wanted to fly into the competitive outside world. SRI E we had the privilege of escorting them to opportunity-rich places abroad and help them with our extensive global network of 46 offices in 31 countries, covering every time zone and major international financial centres. We have more active presence in the EC

than any other Indian bank. We are ranked among the top 400 banks in the world. And we are growing. There's an ongoing process of finding responses to opportunities as they

This has given us 45 valuable years of experience, working within an economic community and providing solutions to it's problems. Expertise that is now available to the EC in a new European bank, SBI European.

Benk Limited, headquartered in London.

SBI European Bank Limited. A citizen of Europe, with an Indian beart.

THE BANK WITH EUROPEAN COMMUNITY BUSINESS EXPERIENCE.

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However, he believes there is a 30 per cent probability that the markets will force a deval-

**CURRENCY RATES** 

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FINANCIAL TIMES MONDAY MARCH 29 1993

# CURRENCIES, MONEY AND CAPITAL MARKETS FOREIGN EXCHANGE AND MONEY MARKETS LONDON RECENT ISSUES Eyes on French franc DEALERS will keep a close watch on the French franc this week, following the second round of the National Assembly elections in France, writes James Biltz. meets on Thursday. But the pressure on the franc may not come until the summer. Mr Christopher Potts of Banque Indosuez in Paris says:

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Mr Christopher Potts of Banque Indosuez in Paris says:
"The danger point for the franc is not the next two weeks, but two months down the road. In recent weeks, there has been a growing feeling that the accession to power of a right-wing government in Paris will coincide with another speculative attack on the French currency. A landside victory for the RPR/UDF coalition has long been discounted but the franc policy this week. They
will have no choice but to
maintain the policy. However,
the dangers will increase if
French interest rates can't be

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long been discounted, but the new administration's commitment to the franc fort policy is certain to be tested.

But dealers are uncertain over when exactly the pressure on the franc might come, if it comes at all. next two months."

Mr Gerard Lyons of DKB international believes the most that the new government will maintain the commitment to frunc fort, patiently waiting for German interest rates to come

The franc's immediate future may depend on when the Bundesbank lowers interest rates again. There was some disappointment last week that the central bank continued to offer funds to commercial banks at an unchanged reporate of 8.25 per cent. There are

rate of 8.25 per cent. There are expectations that this rate will be cut this week, possibly when the Bundesbank council			sions of pean ex	possibly elsewhere	because ten- in the Euro- e mechanism	
	N NEW	. VAL		OTHE	R CURRE	NCIES
	M MEA			Mar 26	ξ .	\$
Mar.25	Close		Prestous · Close	Augentina	1.4885 - 1.4910 2.0075 - 2.0005	
2 Spot	1,4965-1,48 0,36-0,37 1,03-1,01 3,34-3,27		745 1.4756 1.38 0.36pm 1.03 1.00pm 1.33 3.23pm	Foland Greece Heag Kong	36220.2 - 36223. 8.8030 - 8.8535	4 24309.0 - 24311.8 5.9150 - 5.9350 0;221.370 - 225.800
formed proof dother STI	ERLING			Konne(Sth)	1158.40 - 1177.1	0 798.20 · 796.48 0 0.30600 · 0.30700 33.65 · 33.75 2.5690 · 2.6000 3.1050 · 3.1070
		Mar.26	Previous	. Saudi Ar Signagoro	5.5810 - 5,5925 2.4010 - 2.4540	
8.30 am 9.50 am 10.00 am 11.90 am Noon 1.00 om		79.1 79.2 79.3 79.4 79.5 79.4	78.7 78.5 78.8 78.7 78.8 78.8 78.8	SAI (Cm) SAI (Fe) Tables U.A.E	4.7425 4.7530 6.7965 - 6.8145 36.90 - 38.90 5.4850 - \$.4775 c. Iran Official rate	3.1860 - 3.1880 4.5860 - 4.5260 26.10 - 26.20 3.6715 - 3.6735

Mar.26	Clos	•	Close
2 Spot		.37pm .01pm	745 1.4755 0.38 0.36pm 1.03 1.00pm 3.33 3.23pm
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	·	Mar.26	Previous
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Brok of England Index 79.3 65.7	Morgan Guerranty Changes % -30.99 -12.00
65.7	-12.00
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109.8 120.0- 110.0	+32.67 +17.71 +21.43 -6.42 -36.72
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U.S., TRI \$100,00	EASURY BO C 32nds of	1007 CE	T) 8%		JAPANESE YEN (MAN) Y12.8m \$ per Y100				
	Close	Hilah	Low	Prev.		Close	High		Prov
Jun .	109-04		100-02		Jug	0.8596	0.8600		0.8523
Sep	107-28		107-27		Sep	0.8588	0.8600	0.8578	6.8523
Dec	106-23	107-14	106-23	107-31	Dec	0.8597	0.8807	0.8595	0.8529
Mer			105-21	106-28					
Jun		104-28	104-20	105-26					
Seg .	103-21	103-21	103-21						
Dec .	.102-26		102-25	103-29	DEUTSC	HE MARK (			
Mar		102-00			DM125.0	000 \$ per D	M		
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					hari	0.8058	0.6077	0.6018	0.6030
					Sep	0.6001	0.6010		
	EASURY BIL		<b>9</b>		Dec	0.5961	0.00.0	0.3000	0.5931
sion got	nts of 100%				Mar	0.5933		- :	0.5900
	Close	High	Low	Prov.	Personal Property and Property	0.0000		_	u
karı	96.90	97.00	90.97	87.01			·		
Sep	96.83	96.65	96.82	98.89	THREE-I	HONTH EUR	ODOLLA	A chance	
DOC	96.49	96.40	96.47	96.58		rus of 1007		,	
550	- Garte	44.44	D-0.74					1-2	-
						Close	High	Low	Prov.
			•	<u>·</u>	. "lun	96,67	96.70	96.67	96.70
BALTISK	POUND ON				Sep Dec	98,48	96.49 96.12	96,45	96.53
Se per S						96,02 95,88	95.92	95.83	96.12
				_	Mary		95.55	95.46	
	Clown	High	LOW	Prev.	Jun	95,48	95.23	95.14	95,60 95,28
Sep	1.4784	1.4840	1.4650	1.4646	Sep . Dec	94.72	84.80	94.72	94.85
SOD	1.4694	1,4740	1,4686	1.4654	Mar	94.61	94.88	84.60	94.74
Dec	1.4818	•		1.4474	lan-en	. 9401		2-1-00	447.4
2 22min	RANG (ME	· ·				RI) & POOP tea lockex	2 400 1	NOEX	
	000 \$ per !					Close	High	Low	Prev.
					Jun	448.90	452.85	448.10	452.00
	Close	High	LOW	Prov.	San	440 50	159.40	448 80	462 70

200	- Grante	90.40		****	,					
					Jun		Close 96.67	11gh 96.70	Low 96.67	Pre-
					Sec		98.46	96,49	96.45	96.5
	POUNIO (N				Sep Dec		96,02	96.12	95.99	96.1
Se per £					Mar		95.88	95.92	95.83	95.0
	Cloud	Hugh	Low	Prev.			95.48	95.55	95.46	95,6
Jun ·	1.4784		1.4650	1.4646			95.15	95.23	95.14	95.2
Sep	1.4694	1.4740	1.4686	1.4554			94.72	94.80	94.72	94.8
Dec	1.4818		1,7000	1 4474			94,61	94.68	94.60	94.7
SWISS PE	ANC /IN				\$1A	MIARI) Moss	& POOF	5 600 i	NDEX	
SFr 125,0	00 \$ per	SFr			_	_	Close	High	Low	Pres
	Close	High	Low	Prov	, Just		448.90	452,85	448.10	452.0
Jus	0.6584	0.6605	0.6536	0.6549	500		449.50	453.40	448.80	462.7
Sep	0.6565	0.6530	0.6545	0.6528			450.16	454.00	449,40	453.4
Dec .	0.8556	0.6563	0.6555	0.6515	44		450.90	455.00	450.40	454.2
						٠.		•		
PHILADES. 231,250 (			OHS .				· .			
Striken			Cults					Puts		
Price	Apr	Mitta	, J	LIES .	Sep	Apr	1.00	V	Jun	Sep
1,400	6.51	8.49	8,	65	0.18	0.07	· 0.4	2 . (	0.91	2.43
1.425		. BA7	6.	80	7.58 .	. 0.21	0.8	4 1	.49	3.23
1,450	4.16	4.65		13	6.18	0,60	1.5	0 3	2.30	4.25
1.475	2.A2	3,12	3	71	4.93	1.36	2.4		1.31	5.46
1.500	1.22	2.03	2.	60	3.89	281	3.7	8	1.68	6.87
1,525	0.54	1.23	1.	82	3.01	4.42	5.4	5	5.32	8.41
1.550	0.16	0.68	. 0	16 .	234	83.8	7.3		1.12	10.15
	410	0,00			-444					

	_mpreac	Close One month		Day's Close One month %.		pa.	Three mouting	PA.
pro- pro- pro- pro- pro- pro- pro- pro-	1.4745 - 1.4940 1.5327 - 1.5822 2.7170 - 2.782 40.01 - 55.48 9.2630 - 9.3770 0.8640 - 1.0035 2.4190 - 2.4430 2.4190 - 2.4430 2.4190 - 2.4430 2.4190 - 2.4430 2.4190 - 2.4430 1.72.90 - 1.0370 1.2255 - 1.9120 17.807 - 1.5980 17.807 - 1.7440 1.2207 - 1.7440 1.2207 - 1.7440 1.2207 - 1.2207 1.2207 - 2.2445 1.2207 - 2.2445 1.2506 - 1.2566	1.4806 - 1.4913. 1.4890 - 1.8950 - 1.8950 2.7277 - 2.7275 50.15 - 50.25 0.3400 - 2.690 1.8000 - 1.0010 2.4275 - 2.4255 225.00 - 226.00 1.73.70 - 173.90 2.377.78 - 2.772.78 1.03425 - 10.3255 8.2675 - 8.2777 1.73.00 - 174.00 173.00 - 12555	0.39 0.30 pm 0.21 - 0.13 pm 0.21 - 0.13 pm 11 - 16 cds 01 - 74 - 0.22 cds 12 - 74 - 0.22 cds 12 - 16 - 16 cds 12 - 16 - 16 cds 12 - 16 - 16 cds 13 - 14 - 16 cds 13 - 14 - 16 cds 14 - 17 pm 14 - 17 pm 14 - 17 pm 15 - 16 cds 16 - 16 cds 17 - 17 pm 17 - 17 pm 18	2000年の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の	1.04 - 1.07 pm 5-41 - 0.30 pm 5-11-4 pm 5-11-4 pm 5-11-4 pm 6-80 - 0.00 pm 11-11-12-12-13 305 - 307 rds 305 - 307 rds 305 - 14 pm 11-12-2 pm 11	2000 -127-429 -127-429 -127-429 -429-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-429 -128-42		

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR								
Mar 25	Day's spread	Close	One month	P.E.	Bree modby	p.e.		
UK† Lesiand†	1.8280 · 1.6455 151.15 · 182.45 116.46 · 117.55 1590.75 · 1607.50 8.8340 · 8.8665 5.5415 · 5.5865 7.7105 · 7.8316 116.26 · 116.85 11.4800 · 11.5730 1.5070 · 1.5235 1.1730 · 1.1905	6.9350 - 6.9450 5.5450 - 5.5500 7.7128 - 7.7175 116.30 - 116.40 11.5116 - 11.5100 1.5060 - 1.5060 1.1845 - 1.1895	0.73-0.76stin 188-26stin 185-25ctis 10.90-11.50fmile 3.40-3.60mile 3.40-4.05ctir 4.40-5.00mile 0.03-0.05ytin 4.50-4.55gctis 0.27-0.30ctis 0.70-0.68cpm	2.88 6.73 -1.86 -4.11 -4.11 -11.73 -4.45 -4.25 -4.25 -4.27 -6.86 -4.27 -6.86	1.04-1.07 par 2-2-2.5 par 0.05-0.86 par 1.95-2.9 par 1.95-2.9 par 1.95-1.9 par 1.95	27 6.33 -2.83 -1.83 -1.30 -1.43 -7.70 -2.17 -4.70 -4.19 6.17		

			EX	CHA	NGE	CRO	055	RAT	ES			
Mer.26	£	\$	DM	Yen	F Ft.	S Pr.	# FL	Ura	C\$	ß Fr.	Pts.	€c
S OM YEN FAL OF. H. PL. Ura CS B. Fc. Pto Sex	1 0.871 8.412 5.784 1.209 0.444 0.366 0.422 0.538 1.962 0.797	1.401 1.10 0.614 8.594 1.802 0.663 0.546 0.829 0.803 2.970 0.867 1.168	2.430 1.830 1 14.01 2.837 1.080 0.089 1.024 1.309 4.841 1.397 1.938	173.0 115.4 71.40 1000. 200.7 77.11 63.46 73.15 93.48 345.6 99.77 138.2	8.273 5.549 3.405 47.68 10, 3.677 3.027 2.488 4.457 16.48 4.767 0.582	2.250 1.500 0.926 12.97 2.720 1 0.823 0.949 1.212 4.482 1.294 1.793	2.733 1.899 1.125 15.75 3.304 1.215 1 1.152 1.473 5.444 1.572 2.178	2372- 1591 978.1 13671 2967 1054 887.9 1000, 1276 4725 1364 1890	1.856 1.245 0.764 10.70 2.243 0.825 0.879 0.782 1.067 1.479	50.20 33.87 20.66 289.3 80.88 22.31 18.37 21.10 27.05 100. 28.87 40.00	173.9 118.6 71.58 1002 210.2 77.29 83.63 73.31 93.70 346.4 100, 138.6	1.8 6.8 0.5 7.2 1.5 0.5 0.6 0.6 0.6 0.6 0.7
'en per	1,000:	Francis	Fr. per	IO: Like	per 1,00	IQ: Belg	_	_				

Mar 26	Short	7 Days notice	Ose Month	Three Months	Stx Months	Que Year
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Portuguene Esc	173 - 174	1812 - 175	,,,,,	154 - 154	1548 - 1449	1438 - 1

	FT L	ONDON INTE	RBANK F	XING
(11.00 a.	m. Mar.26)	3 months US dollars	6 months	US Dollárs
bild	318	Offer 3 <sup>1</sup> 4	bld 3,2	offer 3/4

NEW YORK			Treasury	Bills and B	onds	
4pm Prime rate Broker loen rate Fed.funds at interven	6	Three month Sty month One year	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	3,13 Five 2,99 Ser 3,13 10- 3,32 30-	Accel minimum Bu Accel minimum I Accel minimum I Accel minimum	
Mar.26	Overright	One Month	Two Months	Three Months	Sbe Months	Lombard
Frankturt Paris Zurich Amaterdam Tokyo Milan Brussels Dublin	8.25-8.40 167-11 54-52 35-37 87-10	114-117 54-54 114-113 94-94	:	10 <sup>1</sup> 2-10 <sup>7</sup> 5-5 <sup>1</sup> 6 11.2-11.4 8.2-84	7.45-7.55 9%-16	9.00 9.10

Mar 25	Overnight	7 deya notice	Cirre Month	Three Months	Stx Months	Dne
retectorale Offer	61 <sub>2</sub> 43 <sub>4</sub>	513	613	64 512	6 57 57 6,5	55
ntochank Bid	474	512	. 6[3	512	53	53
Sterling CDs.	57	512		614	5%	54
ocal Authority Depa	34	•	814	D/G	024	
Incornt Mkt Deps		5)3	_ ·		1	Ξ.
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inance House Deposits	- 1	- 1	511	85 64 305 44	512 513	0
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tank BBs (Buy)	· <u> </u>		533	633	633	
ine Trade Bills (Buy)	' - J	- 1	_			
DORAT COS	- 1		3.00	3.00	3,12	3,35
OF Cinked One. But	- 1	.=	113	23	1 2H 1	22
CU Linked Dep. Offer	<del>-</del> 1		913	1 72	32	a.
CU Linked Dep. Birl	'	_ =	54999	974 20	4448	3.35 4 <sup>1</sup> 2 8 <sup>1</sup> 3 8 <sup>1</sup> 4
reasury BBIs (stall); one-su BBs (self); one-month BFS facount 8.3848. ECGD F1 stee for period Mesch 24, idenance rate for period withority and Finance Hous com March 1 , 1963; Cert nor cent; nine-twelve month	Jenuary 30, 100 seven day Ricates of Te	1983 to Fel a notice, of a Dencell Si	pruary 26 , 1873 seven d Irlen St. Dec	1993, School Rys' Rued, Fin ook, \$100,000	a New 6,22	B p.c. L Base Re

T-AC	TUARIES	WORLD	INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited

NATIONAL AND REGIONAL MARKETS			FR	DAY MA	RCH 26 1	993				HURSDA	Y MARC	H 25 190	8	DO	LAR INC	EX ·
Figures in parentheses show number of lines of stock	US Dollar Index	% chg (\$) since 31/12/92	Pound Starling Index	Yen Index	DM andex	Local Currency Index	Local % chg tron 31/12/92	Gross Div. Yield	US Dollar Index	Pound Starting Index	Yen index	Enchara Cort	Local Currency- index	1982/93 High	1992/93 Low	Year ago (approx)
Australia (63)	139.27	+11.3	138.49	102.43	118.06	130.66	+8.0	3.79	138.41	139.21	102.67	118.10	129.62	-153.68	108.18	
Austria (18)	142.47	+1.8	141.66	104,78	120.77	121.12	+3.2	1.87	139,82	140.63	103,72	119.36	119.25	186.70	131.16	
Belalum (42)	148,77	+11.7	147.93	109.41	126,11	123.64	+13.2	4.93	147.66	148.52	109.52	126.05	123.26	152,27	131.19	
Canada (113)	124.67	+7.8	123.96	81.68	105.67	112.34	+6.5	2.96	125.97	126.71	93.44	107.53	113,47	142.12	111.38	
Denmark (33)	196.61	+5.6	195.50	144.60	166.66	167,60	+5.5	. 1.37	195.66	198.60	145.14	167.08	167.85	273.94	181.70	
Finland (23)	74.61	+7.2	74.19	54.88	63.25	92_77	+21.4	1.37	73.77	74.20	54.73	62.98	91.81	89.80	52.84	77.8
France (98)	182_16	+10.2	181.28	119.28	137.48	141.14	+10.7	3.12	159.29	160,22	118,15	135.97	.139.42	168.75	136.93	
Germany (62)	.112.25	+7.9	111,61	82,56	95.15	95.15	+8.6	2.23	111:10	111.75	82.43	94.84	94.84	129.69	101.59	117.8
Hong Kong (56)	254.17	+14.7	252.74	136.93	215.47	252,28	+14.6	3.68	250.09	251.55	185.51	213.51	248.25	262.28	176.36	
reland (16)	155.20	+14.3	154.32	114.14	131.58	146.88	+24.6	3.57	150.93	151,81	111.96	126.85	143.70	173.71	122.98	158.6
taly (73)	57.15	+4.2	56.83	42.03	46.44	67.91	+12.5	2.93	58.54	58.87	41.94	48.28	67.66	80.86	47.47	69.6
Japan (471)	123.09	+17.2	122,40	90.53	104.36	90.53	+9:2	0.92	121.02	121,72	98,77	103.32	89,77	140,95	87.27	105.7
Maleysia (69)	277.11	+6.0	275.55	203.80	234.90	277.43	+5,3	2.41	277.30	278.92	205.69	235.72	277.43	282 42	212.49	240,8
Mexico (18)	1613.29	-2.1	1604.19	1188.52	1367.58	5478.63	-2.5	1.09			1167,20				1185,84	
Netherland (24)	165.94	+9.6	165.00	122.04	140.67	138.78	+10.4	4.07	163.85	164.80	121,54	139.88	138.18	169.70	147.88	149.5
New Zealand (13)	46.45	+8.3	46.16	34.10	39.38	45.22	+4.3	4,73	45.92	45.19	34.06	39.20	45.63	48.52	37.39	43.9
Norway (22)	156.23	+13.4	155.35	114.90	132.44	147.16	+13.8	1.79	153,52	154.41	· 113.88	131.06	145.55	192.95	128.05	170,2
Singapore (38)	219.62	+2.9	218.38	161.52	186,17	168.49	+3.2	1.99	217.61	219.07	181.57	185.93	164.96	229.63	179.65	
South Africa (60)	174.38	+17.7	173,40	128.25	147.82	174.16	+10.8	289	174,72	175.74	129,60	149.15	174.33	263.60	134,21	228.0
Spain (46)	128.26	+10.0	127.53	94.33	108.72	113.34	+12.0	5.34	126,20	126.93	93.61	107.73	112.14	181.72	107_10	152.9
	158.62	-4.2	157.72	116.66	134,46	181.16	+4.5	1.86	154.79	155.89	114.82	132.14	179,37	200,28	149.69	189.1
Sweden (36)	115.22	+2.0	114.57	84.75	97.89	107.78	+5.0	2.08	112.94	113,60	83.79	96.43	106.57	122.37	95.99	98.9
United Kingdom (226)	171.B4	-0.3	170.87	126.37	145.65	170.87	+1.2	4.31	170.01	171.00	126,10	148,12	171.00	200.07	161,86	170.1
KA (522)	182.89	+2.7	161.85	134.51	155.04	182.89	+2.7	277	183.95	185,02	136.46	157.04	183.95	186.27	160.92	164,8
urope (775)	141.39	+4.0	140.60	103.99	119.86	132.27	+5.9	3.51	139.55	140.36	103.51	119.13	131.71	156.88	131.31	141.3
Vordic (114)	148.50	+0.1	147,66	109.21	125.88	148.02	+6.4	1.69	145.88	146.71	108.20	124.52	146.95	188.52	141.24	174.0
actic Basin (714)	127.68	+16.4	.126.98	93.90	108.23	96.60	+9.3	1,24	125.64	126.37	93.20	107.26	95.76	141.97	93.70	110.4
uro-Pacific (1489)	183.17	+10.7	132.42	97.93	112.88	111.11	+7.9	2.23	131.21	131.98	97.32	112,01	110,36	145.21	113.80	123.0
Iorth America (635)	179.26	+2.0	178.25	131.86	151.99	178,10	+2.8	2.76	180.34	161,39	133.79	153,98	179.17	182.38	158.70	162.6
urope Ex. UK (549)	122.47	+7.1	121.78	90.09	103.84	110.57	+9.4	2.96	120.66	121.37	89.53	103,03	109.73	132.98	111.33	123.3
acific Ex. Japan (243)	172.83	+11.0	171.85	127.13	148.52	158.06	+9.5	3.44	171.10	172.18	127,00	148,15	156.43	175.31	148.06	157.0
Vorld Ex. US (1680)	134.23	+10.5	133,47	98.73	113.79	118,16	+7.8	2.25	132.38	133.15	98.20	113,01	112.45	146,91	115.99	125,4
Vorld Ex. UK (1976)	147.49	+8.1	146.66	108.48	125.04	130.97	+6.1	2.26	146.72	147.57	108.84	125,28	130.77	150.58	127.21	134,7
Vorid Ex. So, A£ (2142)	149.57	+7.1	148.72	110.01	126.80	134.16	+5.6	246	148.69	149.58	110.31	126,94	134,00	153.05	130.04	137.2
Vorld Ex. Japan (1731)	165.16	+3.8	164.26	121.51.	140.06	159.85	+4.2	3.06	164.94	185.90	_122.36	140.83	160.07	166.44	151.93	156.0
	149.63	+7.2	148.78	110.05	126.85	134.56	+5.8	2.46	148.76	149.83	110,36	127,00	134.38	153.70	130.66	187.8

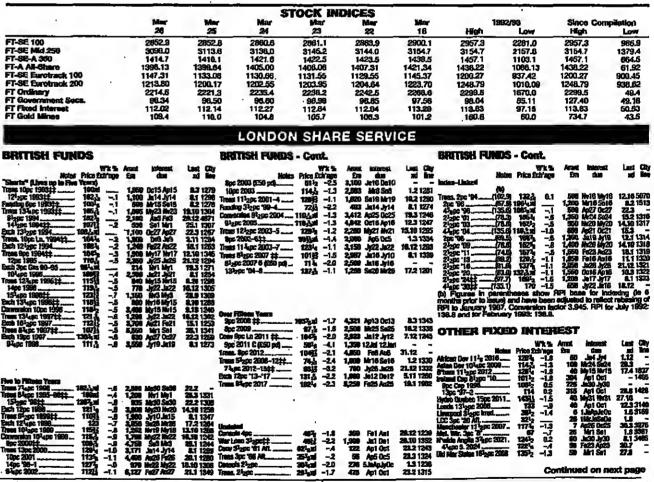
114.45 (Pound Sterling) and 123.22 (Local).
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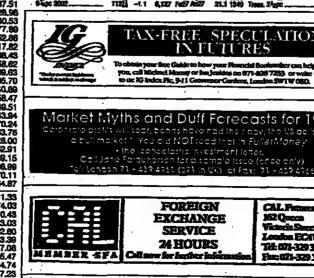
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FIXED INTEREST STOCKS													
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Price		Paid Up	Latest Recurs Case	iligh	263 Low		Stock				Citys Prix P	• I	٠.
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26	FINANCIAL TIMES MONDAY MARCH 29 1993
AMERICANS BUILDING MATERIALS - Cont.	ELECTRICALS  ENGINEERING-GENERAL - Cont. HOTELS & LEISURE - Cont. INVESTMENT TRUSTS - Cont. Wr. % Dir Divisional Milks Lief City  FING DIVISION OF DIV
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Net Aust AS	Rods   184   -2,1   5.5   Many Sept 24.8 3107   Rods   Price of rings   pell   cappin   rd   line   Lan Ameri Vent   186   1.8   -   51.4 6'68 3196   Learmont   0.8   3.5   9.1   -     1.9   1.9   1.8   1.8   -     51.4 6'68 3196   Learmont   0.8   1.8   1.8   Learmont   0.8   1.8   Learmont   0.8   Learmo
Standard Cherth   17   702ml   -2.2   21.0   - Jan Det   15.3   4084   Bitsfoy into NCS   -3   35   -2.8   Obs.   15 Ager Nov   18.3   18   Santtorno Y   -2.1   4.5   0.77   8.7   Jan Dec   10.12   3070   Creator State   103   -0.5   -3.3   -3.0   -3.0   10.3   28   -0.5   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0   -3.0	18   18   18   18   18   18   18   18
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BREWERS & DISTILLERS   thurson	Note   10   10   10   10   10   10   10   1
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5.550c CV PI 197 - 1,000 Pc - 1,0	Red Times
100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100   100	Controlle
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# First in the fight for fairness

Herman Ouseley, new chairman of the Commission for Racial Equality, talks to Alan Pike

be Commission for Racial Equality will next week gain its first black chairman and, as a direct consequence, Its first chairman to have suffered insults, harassment and violence because of the oolour of his skin.

Herman Ouseley goes to the commission from the equally demanding joh of chief executive of the London borough of Lambeth wbere, when appointed in 1988, he set another record as Britain's first black local authority chief executive.

Reaching the top of powerful organisations, public or private, is still relatively rare for members of Britain's ethnic minority communities. As someone who was born in Guyana, came to Britain as a child in 1957 and grew up as part of an immigrant family in south London, be shares a personal history with many of Britain's black people.

"My experiences are ones that are mirrored by many black people living in the inner cities, slthough I have been luckier than most in being able to side-step the difficulties that a lot of people have not been able to escape from," he says.
"I have suffered having hricks and bottles thrown

through our window and other forms of racial harassment. 1 have been beaten up on my way home from school by groups of white youths and called a black bastard. Things have bappened for no reason other than what I look like. "I bave failed interviews

when I felt I should have been successful, but bow could ( prove it was discrimination? The majority of peopla who are discriminated against cannot prove it. I have been picked up by the police for no reason. I have sued the police for wrongful imprisonment and won."

Ouseley's origins give him an appreciation of the lives of ordinary black people in Britain that none of his predecessors in the CRE chairman's office - however committed to lts goals of eliminating racial discrimination and promoting equality of opportunity - could totally share. This does not mean that the new chairman will arrive determined simply to be a strident, onedimensional advocate of black rights. Ouseley has a strong sense of balance, and it shows as be continues to review the

mine his atyle in the post.
"At the other end of the spectrum, I have had the experience of being a hlack person in a powerful position. Other black people have expected me to be able to do things for them, while white people have thought I might possibly discriminats against them or overlook them. I have had to be seen to be fairer than fair to white people, while bending over backwards to help black people and avoid being accused

of having sold out."

He takes over the commission at a difficult time. Unemployment, even when the economy is flourishing, is disproportionately high among Britain's ethnic minority communities; the recession is aggravating the problem and worsening other social tensions. Ouseley's annual budget at the commission will be limited to a modest £15m and the government plans no growth in real terms at least up to 1995-96. With only about 200 staff and limited funds, it must be selective in its activities. which include giving advice, legal assistance and mounting investigations into allegations of racial discrimination.

Under Sir Michael Day, its outgoing chairman, the CRE bas demanded strongsr race relations legislation but ministers have not rusbed to oblige. Ouseley recognises the com-mission's limitations, "It is a creature of statute and the government controls its finances. People who think the CRE should be challenging every institutional practice in the world should realise It is impossible. But the commission none the less has a very important job to do in helping to promote a society based on respect, fairness, tolerance and

He supports the commission's call for stronger race relations laws, saying that, while the present act had proved a powerful weapon, weaknesses hava been exposed. In some respects, says Ouseley, the legal position on race relations was weakened during the 1980s by other legislation. He cites the 1988 Local Government Act, which he says gives local authorities insufficient power to ensure that contractors pursue adequate equal opportunities employment policies. The value of positive action programmes in overcoming discrimination in employment has, he says, been



'I have been beaten up...called a black bastard'

proved in the US. And he says nlack people find it "painful" that the powers of the North-ern Ireland Fair Employment Commission to challenge discrimination on religious grounds in the province are tougher that those available oo the mainland to attack racial discrimination.

A conversation about race relations with someone whose experience is in the inner cities inevitably touches the fragile. fraught question of relationships between the hlack com-

### PERSONAL FILE

1946 Born in Guyana. 1957 Family amigrated to Britain. 1963 Began work in local gov-

smment town planning administration. 1981 Principal race relations adviser, Greater London

Council. 1984 Assistant chief executive, London borough of Lam-

986 Director of education and later chief executive, Inner Landon Education Authority. 1988 Chief executive, Lambeth. 1993 Chairman, Commission for

Racial Equality.

munity and the police. Mr Paul Condon, the new Metropolitan Police commissioner, made racism the subject of his first public speech, volcing determina-tion to outlaw it in both the community and the force. Ouseley, welcoming strides he believes the police service has made in recognising that it has problems in its relationships with black communities, again takes care to inject balance. Equally, the minority communities have problems with

regard to crime and attitudes.

They have to face up to these.

The law has to be upheld

their dismay that they had no

plng outside it, they are likely to fall foul of the police."

How does the CRE's new

chairman, a role model of black achievement, view the status of ethnic minority communities in Britain today? In the 36 years since Herman Ouseley and his family came to London alongside many other Commonwealth citizens, predictions about how the arrivals would influence their new society have varied widely. Prophets of doom foretold streets alive with serious and repeated race rlots; some optimists assumed that there would be an almost magical and effortless assimilation leading to

equality of opportunity, Neither has happened. Ouseley compares individual examples of success with the scale of the problem still to be addressed. You see many Asian names on lists of very wealthy people in Britain. There are half a dozen black members of parliament compared with none five

years ago. There are now about five hlack local authority chief executives, while I was tha only ona in 1988. But there are more racial attacks and there is more racial violence. There is a high proportion of black people on tha unemployment register, in penal institutions and among the homeless. The real problem in race relations is that the worst afflictions affect tha black community to a disproportionate level. Black people bare a greater share of

society." These are big issues, hut Ouseley believes they can be tackled through specific, targeted action. He has a reputation as a strong and hrave manager - his parting gift to Lambeth was a highly publicised report alleging fraud and corruption in the council, now fairly, and people have got to recognise that if they are stepment - and be emphasises the

acope for clearly thought-out management action as a too

for improving race relations. In 1979, 6 per cent of Lambetb council's employees were from ethnic minorities. Now the figure is 48 per cent, reflecting the ethnic composition of the borough. He would like to see more employers in hoth the public and private sectors following the example. "This would not have hap

pened unless people in the organisation had been persuaded that It needed to happen. It required managerial will and political will. "Many examples of success

hy members of Britain's ethnic minority communities -whether we regard them as token or significant - are as a result of institutions saying: We cannot go on like this. We must make a positive effort. There must be more positive efforts to create a structure where people who are being denied opportunities can play their full part in society, unconstrained by race."

# Pessimism is a Euro-disease

British newspaper, some politician seems to be trying to explain away economic hardship by referring to the "world recession". Don't believe it. Much of Europe admittedly is peculiarly depressed, lengthy dole queues seem to be accompanied nearly averywhere by weak political leadership and public apathy. There are few historical precedents for the continent's com-hination of ailments, which includes civil war in the former Yugoslavia, German xenophobia and a wave of corruption trials in Italy. Even France, labouring to defend the franc, was recently described by the Washington Post as "rarely in a more disgruntled mood"

In the 19th century, Europe could be forgiven for mistaking itself for the world, most of which it either owned or governed. But today it is ludicrous to pretend that the gloom and doom afflicting Europe is a global phenomenon. In much of the rest of the world the economic outlook is promising and the quality of polltical leadership as high - if not higher - than in recent decades. Outside Europe, many people are eagerly awaiting the 21st century, which they expect to mark a huge improvement on the past 100 war-torn years. To put Euro-gloom in per-

pective, consider first the outlook for the US. The economy has been growing steadily for nearly two years following a brief and relatively mild contraction in the winter of 1990-91. Growth at an annual rate of nearly 5 per cent at the end of last year will not be sustained; but most forecasters are confidently predicting several years of growth of at least 3 per cent. The unemployment rate peaked at 7.7 per cent (far below the double digits feared in Europe), is now 7 per cent and is expected to fall to about 5.5 per cent - effectively "full employment" - hy the end of President Bill Clinton's first



MICHAEL PROWSE **AMERICA** 

Unlike the cautious British electorate. Americans had the courage to vote for change last November and are now benefiting from a revival of the legendary Yankee "can do" spirit. The Democratic Congress has moved swiftly to endorse the White House's economic plan, meaning that excessive budget deficits will be curbed, albelt slowly. Mr Clinton will shortly unveil his strategy for reforming the nation's flawed healthcare system. This will be followed, probably next year, by proposals to improve the quality of US education and worker

If the outlook for the US is bright, it is positively dazzling in much of east Asia. The region remains politically immature, but during the 1980s it grew more than twice as fast as either Europe or the US. Most forecasters expect continued dynamism, even allowing for Japan's serious (but surely temporary) difficulties.

"Fuelled by China's economic boom," argues Merrill Lynch, the Wall Street brokerage, in a recent circular. "Asia-Pacific growth should reach almost 8 per cent in 1993 following 7 per cent last year." East Asia as a whole is now a more important trading partner for the US than Europe which is one reason why the US media typically quotes the dollar in terms of yen rather than D-marks.

Euro-pessimists must also contend with improved economic performance throughout the developing world, which enjoyed economic growth of about 6 per cent last year and may grow nearly as fast this year. The world has not been

in, nor is heading for, a recession, let alone a depression. Even in industrialised countries, annual growth has not yet dipped below I per cent and will probably accelerate next year to more than 2 per

Viewed from Washington, the gloom pervading Europe is puzzling. For four decades, the continent was divided by an Iron Curtain and needed the protection of a US military shield. Yet in the mid-1980s when the Kremlin was atili huilding its stockpile of SS20 missiles and Berlin was a lonely outpost in communist east Germany, western Europe was far happler than today. It enjoyed political stability and economic prosperity and scemed prepared to make the modest sacrifices needed to secure the potentially huge benefits of greater economic and monetary integration. The reduced hurden of military spending following communism's collapse and the enhanced opportunities for trade with the new democracies of eastern Europe ought to be creating still greater regional prosperity rather than a torrent of mealy-mouthed complaints.

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Con Considerable Sections

European politicians pretend that the world is facing intractable economic problems comparable with those of the 1930s. Sky-high unemployment and lakes of budgetary red ink are seen as all but inevitable. The success of east Asia and the US shows that this is hogwash. If Europe is in secular decline, It has only itself to blame; it has simply lost sight of the virtues

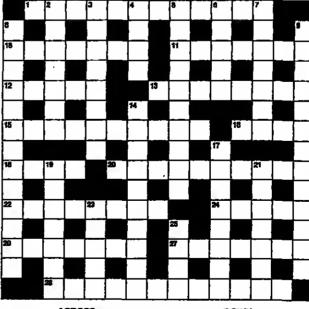
- thrift, hard work, flexibility 3 and risk-taking entrepreneurship - that underpinned lts startling success in the 19th

With hindsight western Europe perhaps grew too comfortable in the cosy, controlled world created after the second world war, when its destiny was effectively in the bands of the US and the Soviet Union. On its own again for the first time since the inter-war years it is again showing a singular lack of political vision and



# **CROSSWORD**

No.8,113 Set by GRIFFIN



1 Works after a day and is OK

10 Vessels in river stretch (7) 11 Ann switched to cutting material (7)
12 Order chief to be earlier (5)

13 One who is there at ten, running water (8) 15 Break about ten men in anger

16 Ring coppers once someone starts scraps (4) Sweetheart crazy about alcoholic drink (4) Banned all mixes containing love drug (10)

inside (7) Learned men put little money Learned men put little money grasp (5) into his student grants (12) . 25 Frost upset a Moslem chief-

2 Uses fruit with one in (7) 3 Ringo knocked six-footer unconscious (8)
4 Wa left fellow standing and

ran away (4) 5 Always loyal, notice missing lady (10) 6 One times union leader carrying in cat (5)

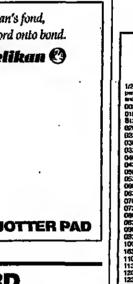
7 Terrible lie Eddy submitted 8 Moody relief worker to alter name when wrong (13)

9 Making sense of an informal

agreement (13) 14 Fm an individual student con-

23 Are achievements within

The solution to last Saturday's prize puzzle will be published



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# Wreckage of old socialism

reasons for the wreckage of the Socialist party in the French general elections last week. Some say they failed to hold down unemployment some say they betrayed socialism, both in their conservative economic policies, and in their luxuriant corruption: and some blame the party's founder, President François Mitterrand, for all of the above, for overplaying his hand, and for outstaying his welcome.

Yet whatever the reasons. the result of the election is so extreme, that it will have the effect of a political earthquake. The Socialists' colossal defeat may yet mark a paradigm shift in the dialectic of French politics, which in turn could have lessons for other democratic countries in Europe.

One thing the Socialists know for certain: they muat start again from the bottom and from the beginning. The party cannot pretend to carry on as before, as if this were a little local difficulty; if it is to recover a significant role in French politics, it will need a new leader, a naw message, and quite probably a naw name as well.

Choosing a new leader has suddenly become urgent. President Mitterrand is totally identified with the party's rise and fall, and at the age of 76 he is in a poor position to help it recover; in any case, he may not want to try. Recovery can only come from a new leader, and that probably means a choice between Mr Michel Rocard, the party's "virtual" candidate for the presidency, and Mr Jacques Delors, president of the European Commission.



on EUROPE

A new leader will need a new message. In 1983 the Socialists tacitly abandoned most of the paraphernalia of unreconstructed socialism; after the election of 1988 they progressively abandoned the rest; but they have yet to come up with a new programme.

Mr Rocard has moved to grapple with the problem, by his sensational call for the creation of a centre-left movement, reaching from reformed Communists to moderate centrists; but be has yet to define the platform it would have. There are essentially two

reasons why the Socialists had to abandon the crude version of their creed. Old-fashioned class-based politics, the proletariat against the bosses, has iong ceased to hold an adequate mirror to today's reality. What with mortgages and foreign travel, the decline of smoke-stack industries and the rise of the service sector, modern society has become more complex and less oppressive. Second, no one believes in crude socialism any more. It

was a disaster in the Soviet

empire: it has failed whenever

it has been tried in the west.

Moreover, in 1983 the French

Socialists had to choose

choice but Europe. Socialists would claim that there is more to their message than the ideological excesses of nationalisation and the com-

mand economy. They remain committed to a distinctive set of social-moral concerns: protection of the under-privileged; social welfare, health, housing, and education; the rejection of money and individual selfinterest as dominant values. In short, some verson of liberté. écalité fraternité. The problem is that these concerns may now be on the wrong side of the historic and

geo-strategic wave. The traditional socialist canon focused on the fight against the unfair distribution of wealth; today's urgent need is wealth creation, and today's scourge is again structural unemployment. The socialist canon calls for social protection for the weak, the ill. the retired, the unemployed; today's problem is knowing

how to pay for these things. The first reason for the radical shift in today's priorities, is that the socialists have won the moral argument, at least in most of western Europe: Christian Democrats and Social Democrats both accept the general case for social solidarity: France's conservative parties would not dare suggest dismantling the welfare state. The unsolved problam is that demand for welfare is by its nature unlimited.

The second reason is the development of global markets. In a national economy, the exploited may be able to force a more favourable deal out of the exploiters; that option is ers, The Hague, 1992

hetween crude socialism and not available if the "exploita-Europe: they discovered to tion" oomes from other, more competitive, economies

Last year, the Dutch Central Planning Bureau\* produced a range of forecasts for the next 25 years; one of the scenarios was for a trade crisis, with the world breaking up into three main protectionist blocs. It may not happen; but there is no denving that talk of protectionism is increasingly widespread.

If western Europe remains committed to liberal global trade, it will have to improve its competitiveness much fas-ter than in the past. This means channelling much larger resources Into education and training; the alternativa strategy of driving down workers' wages might produce a Third World work-force, but it would still not enable them to compete with an advanced Asian economy.

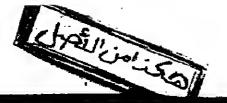
Education and training will be slow to deliver. Meanwhile, competition will force the European Community to review either the budgetary costs of its welfare programmes, or the costly rigidities of its labour laws, or both. Moreover, welfare costs will rise steeply with the ageing of the population: in 1990 the over-64s represented 21 per cent of the population; by 2020 they will be 31 per cent.

This is not a cheerful prospect. It is especially uncheerful for a political leader who is trying to work out a new political message for the 1990s, and who still wants to think of himself as a Socialist.

\* Scanning The Future, Central Planning Bureau, SDU publish22 One camping out of habit? (8) cealing a cold (10)
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with names of winners on Saturday April 10.

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SECTION III

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FINANCIAL TIMES SURVEY

# NGAPORE

Monday March 29 1993

1969 - 91 merage



Singapore continues to dazzle the world with its rapid economic growth and its prosperous and stable society. But there are signs of strain as it faces ever keener competition with its

equally dynamic southeast Asian neighbours. Andrew Gowers reports

# Murmurings of anxiety

"A COUNTRY is like one big see what the fuss is about. corporation. Its grass national product is equivalent to o company's revenue and its population its employees. A national economy competes with other national economies for market shares in the world. If it fails to compete, its population or employees will not be paid well. If it is competitive, its standard of living will rise." (Prime Minister Gob Chok Tong, October

It may not be immediately obvious from the sleek facade of Singapore Inc. But among senior managers of the world's most successful corporate state, there are unmistakeable, and quite deliberate, rumblings of unease about the future

these days. Mr Lee Kuan Yew, founder and now non-executive chairman, complains of a lack of enterprise among his employees and compares the "corporation" unfavourably with its buccaneering rival to the north, Hong Kong. Mr Goh Chok Tong, his successor as chief executive, worries aloud about Singapore's position in the accelerating race for trade and investment in Asia and frets that the workforce may be going soft or getting greedy. On cue, a chorus of middle managers takes up the call for a reorientation of corporate strategy, another efficiency drive, a fresh push into over-

standard, a phenomenal case study in economic achievement. After nearly three decades of almost uninterrupted rapid expansion, its gross domestic product continues to grow at annual rates around 6 per cent, without significant inflation. On a per capita basis, it is richer than any of the other Asian "dragons" and has already overtaken several countries in Europe.

Singapore remains, by any

It boasts full employment, remarkable political stability. an incorrupt and efficient pub lic administration, and the highest home ownership and national savings rates in the world. Foreign investment continues to pour in, to the extent that an island state of 3.1m people hosts one foreign company per 1,000 inhabitants. And Singaporeans enjoy a quality of urban life without parallel in the region.

Yet if the message from the top is to be believed, now is no time for resting on laurels. The constantly reiterated theme of ministerial and prime ministerial speeches over the past year is that the challenges of the next decade will be as stiff as anything Singapore has faced since it was thrust out of the Malaysian Federation and into sovereign independence in 1966. The task is not only to etay several jumps ahead of competitors within Asia but to



point where it can claim a

nations. We are like someone being chased by tigers with a cliff in front," said Mr Goh in a speech to trade unionists last October. The tigers are closing in fast but the cliff is difficult to scale. The tigers are the dynamic economies like Thailand, Malaysia, Indonesia and China. The cliff is the formidable challenge posed by the developed

The prime minister's colourful warnings are exaggerated for effect. He and Mr Lee, who as Senior Minister is still considered by many as the ulti-mate authority despite having relinquished the premiership in late 1990, like to give the impression of being engaged in a constant struggle to maintain the values which helped propel Singapore out of poverty in a At first glance, it is hard to hipgrade the economy to a generation - its legendary

countries.

political discipline and the quiplace among the developed escence of the workforce in pursuit of general prosperity. Yet implausible as their scare stories may sound, there are legitimate reasons for at least mild concern over Singapore's medium term prospects. In the first place, the battle to stay commercially competitive is becoming fiercer all the

Singapore is still attracting

foreign investment at an envi-able pace - manufacturing investment in fixed assets reached a record \$\$3.48bn last year, 21 per cent up on the 1991 figure. But it has to work at it against formidable constraints. With less than 3 per cent unemployment and the population more or less static, there is a chronic labour shortage, and for political reasons Singapore does not want to import any more immigrant labour. than it has to. One result is

that wages have been outpacing productivity growth in recent years, in the process eroding Singapore's competitive edge. "We've got to worry all the time," says Mr Gob. "If we lose our competitive edge, I think the whole house may collapse. To give an example, if we are not competitive, say, with Chins, we'll find that China will suck in our investments very quickly...a hollow-ing out of the economy may take place...This anxiety elengapore dollar

has taken to issuing stern

warnings that Singapore is in

danger of failing to capitalise

on this rapid growth. Singapo-

Korea, Hong Kong and Taiwan

Mr Lee's new campaign, since

the conservatism and unima-

have done.

Singapore 8 per US\$

The second broad area of concern is Singapore's place among the dynamic economies of Asia as a whole. From mainland China in the north and India in the west to south-east Asian countries next door, markets with vast potential are opening up to outside inves-

ment is something we've got to

since the government controls the main levers of economic power, and since they have for years heard disapproving lectures from their leaders about the corruption and maladministration of other Asian countries, it is scarcely surprising that they show little initiative in doing business abroad.

Fear of failure - kiasu in the Hokkien Chinese dialect remains e powerful feature of Singaporean society, reflected in everything from the ultracautious way it regulates its financial centre to bankruptcy laws of a severity unparalleled anywhere in the industrial world. Those Singaporeans who have broken out into the wider region often did so in spite of the system rather than because of it, and many of them show little inclination to return home. Nevertheless, it is significant that the nation's patriarch has seen fit to air this issue now.

Mr Lee's speeches betray an awareness that to stay abreast of breakneck development in the region at large, Singapore itself will have to change.

Unwittingly perhaps, Mr Lee's concerns about Singapore's need to spread its wings abroad also underline what is the biggest domestic political challenge facing the ruling People's Action Party over the next few years: how to keep fulfilling the ever-rising expectations of Singaporeans themselves.

Singapore may be to all intents a one-party state, but reans, he complains, are a staid and timid lot who prefer to stay at home and work as without doubt the PAP owes its unbroken 34 years in govmiddle managers rather than venturing abroad in search of ernment principally to the prosperity it has engendered, business opportunities. It is and to its success in giving entrepreurial spirit, "go regional" and build an external Singaporeans a stake in their own society. dimension to the country's economy in the way that South As one foreign diplomat put

it: The PAP knows that whatever grip it now exercises on the state machinery its politi-There are delicious ironies in . cal dominance stands or falls on its record of creating and distributing wealth." And here, the omens have

ginativeness be attributes to his subjects spring in no small not been universally favourameasure from the tightly conble for the government of late. trolled society that he has cre-Mr Goh is still smarting from ated. Since Singaporeans are the blow the PAP received in schooled from birth in Confuthe elections of August 1991, cian virtues of obedience, disciwhen its share of the vote fell But Mr Lee, in particular, pline and collective endeavour, to 61 per cent - a setback only

IN THIS SURVEY Investment paradise: the swirl of change that sucks in the cash; profile -SGS-Thomson, electronics heavyweight ....

challenge is to invest in the fast growing Asian region; profile of finance minister Dr Richard Hu ...... PAGE 3

Finance centre with a reputation for incorruptibility; world's top port where a ship docks every four infautes;

Singapore businessmen are exhorted to looking outward. Profile: Singapor Technologies Industrial Corp. ...

the pessimists ......PAGE 4

Politics: Premier Goh Chok Tong fights to emerge from the shadow of Lee Kuan Yew. Profile: role of the Singapore International

.PAGE 6 Currencies in this survey are denoted as S\$, for Singapore dollars, or \$ for US dollars

partly redeemed by the PAP'e 72 per cent score in a by-election late last year.

Although the ruling party still enjoys support that gov-eroments in the west can only dream of, there can be no disguising the decline in its share of the vote through the last four general elections. Next time, or the time after that, the PAP may have to reckon with a considerably larger presence of the opposition parties in parliament.

This would scarcely be s disaster. But it does imply s period of adjustment for an elite unaccustomed to challenges to its rule. And thet process will not be rendered any easier by the doubts that have unexpectedly arisen in recent months surrounding the succession to Lee Kuan Yew. Late last year, it was announced that both Mr Lee's

Continued on Page 2







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### SINGAPORE 2

AS RECENTLY as 1980, there was no such thing as a Singa porean computer components industry. Today the island republic is the world's largest manufacturer of computer disk

drives, accounting for more than half of world production, and a big supplier of a wide range of other computer peripherals, semiconductors and electronics equipment

In the early 1970s, the textile industry accounted for some 17 per cent of manufacturing employment in Singapore, Now the figure is well below 10 per cent, and declining.

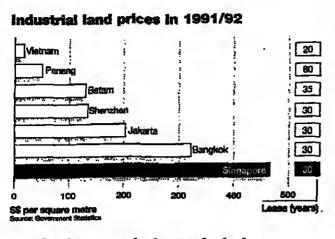
These are two examples of the extraordinary swirl of change that continues to invigorate the Singaporean economy. They help to illustrate how a country with no natural resources, a miniscule land area and a static indigenous workforce has managed to carve out its position as a leading competitive player in a number of international industries, from consumer electronics to oil refining and petrochemicals.

The Austrian economist Joseph Schumpeter would have recognised what is happening. Writing in the first half of this century, be called it 'creative destruction" - the process of unremitting innovation and renewal in an economy affected by the free play of market forces. In Singapore's case, the market is the world, and it has exposed itself to - and benefitted from - the full force of international competition by maintaining a stance towards loreign investment as open and unrestrictive as you will find anywhere. Some 3,000 multinationals have operations of some kind on the island, more than 750 of them in manufacturing.

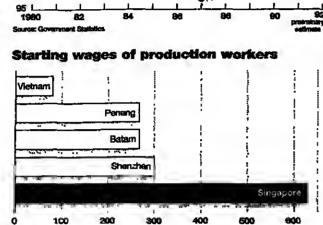
Foreign investors are as much as ever the motor of Singapore'a development, Initially attracted by its low-wage workforce and by heavy public investment in an ultramodern Infrastructure - for two decades investment has represented 35 to 40 per cent of annual gross domestic product, higher than in any other industrialised or industrialising country including Japan they are constantly encouraged by government to spend on upgrading their plants with the latest technologies. The aim is to create a virtuous circle in which higher labour productivity earns bigher wages, and low-wage, labour-intensive

Andrew Gowers describes the business ethic that sucks in the cash

# Investors' paradise



Unit business cost of manufacturing



Singapore is uniquely unsentimental about preserving industries which have lost their competitive edge: the timber business, for example, once a local mainstay, is now virtually extinct, while textile manufacturing on the island has moved inexorably to the highvalue end of the market while spinning off low-cost operations to Malaysia and

Their place has been taken by productive, technology-driven industries such as consumer electronics, telecommunications equipment and precision

The last 20 years provide countless examples of this shift - as always, under the guiding hand of government bodies such as the Economic Development Board. Having estabother nelghbouring countries. lished itself as an oil refining

chemicals and is now assiduously developing higher-value products such as speciality chemicals and pharmaceuti-

attracting new investors: more importantly, it involves encouraging heavy investment by those already installed, so that technology companies such as Taxas Instruments that came to Singapore in the aarly days have repeatedly upgraded their locally-manufactured product mix. And the search goes on: Singapore has remained especially alert to global changes in the consumer electronics industry. It is now positioning itself as an important production base for digital compact cassette play-

ers and notebook computers. Mr Philip Yeo, the hyperac-tive EDB chairman and Singapore's industrial czar, reckons that of every fresh investment dollar that comes to the island. two thirds represents spending by companies already in place. The increasing quality of those investments is evident from the pattern last year. Manufacturing investment commitments reached a record S\$3.5 bn, 21 per cent up on 1991, and the prospective yield on those projects, in terms of gross value-added per worker, rose to S\$240,175 - more than three times the existing average in

the manufacturing sector. This constant drive for higher value-added makes sense given Singapore'a severe physical and demographic constraints. It is also getting more urgent all the time in view of the intensifying competition for investment among lowwage Asian economies, which are themselves gradually following Singapore 'up the value chain". To understand why, compare

labour and land costs in Singapore with those elsewhere in the region. The starting wage for a production worker in Singapore is \$\$630 a month; in Penang, Malaysia, it is \$\$264; and in Vietnam it is \$\$80. in Singapore, a square metre of industrial land costs 10 times what it does in Penang and 30 times what it does in Vietnam. Unable to compete on wages,

and bunkering centre, Singa- land or on the size of its pora moved into bulk petro- domestic market, Singapore domestic market, Singapore has quite deliberately priced itself out of the business of low-cost manufacturing, partly for political reasons, the government will not prop up The trick consists not just in labour-intensive industries by allowing companies to import more foreign workers. Instead, it has been forced to develop altarnativa attractions to retain the loyalty of its multinational partners.

As Mr Gob Chok Tong, the prime minister, put it last year in terms that might be a corporate mission statement: "We must be competitive in combining the whole range of factors and produce a package that is better than what our competitors can offer. This requires hardworking and highly skilled workers, good manage ment and government, a politically secure environment, good physical and social infrastruc-

"It also requires us to be alert to changes in technology, investment and market trends. It means constant restructuring of our economy to have a mix of industries in which we are competitive."

What this means in practice was mapped out in a strategic plan produced by a committee of business and labour leaders. government officials and academics in October 1991. It recommeoded a series of measures aimed at improving the akills of the workforce, at encouraging companies to automate and shift labour-in-



On the Rapid Transit rall system: speed, youth and dynar

tensive activities offshore, and at getting multinationals to think of Singapore as a managerial and service bub for South-east Asia rather than just a production base.

Research and development

In co-operation with the multinationals, Singapore is now engaged in a big effort to boost R & D activities on the island. It has established a National Science and Technology Board to oversee a proliferation of research institutes in a wide variety of disciplines from microelectronics to biotechnology and, by providing financial incentives, to double R & D apending to 2 per cent of gdp by 1985. In the same period, it wants to raise the proportion of scientists and engineers in the workforce to 40 per 10,000 workers from the present 28. That compares with R & D spending of 3 per cent of gdp in

Japan and 1.8 per cent in South Korea.

· Recruitment and training. The EDB is mounting a targeted recruitment drive overseas with a view to bringing engineers, computer scientists and other skilled manpower to Singapore from Europe, North America, Russia and other Asian countries including India. The aim is twofold: to pre-empt a looming skills sbortage in the region as a whole, and to compensate for the fact that the government finds it difficult to lure Singaporeans into factory jobs as opposed to what they perceive as the more glamorous services sector. "We have to make a more concertad affort to recruit people now because the other countries in the region are growing," says Mr Suppiah Dhanabalan, trade and indus-

In addition, Singapore is

training centre for multinationals in Asia. The US communications giant Motorola for example, recently sent a team to train on the island from the plant it has established in China. The commercial spinoff for Singapore is obvious. "That way, I can sell more components," says Mr

• Regional investment. Singapore's attempt to push multinationals' low-cost, lower-skill operations offshore is now accelerating. Its main focus is the so-called "Growth Triangle", an unusual initiative to foster economic integration between Singapore, the soutbern Malaysian state of Johor and Indonesia's nearby Riau islands.

The EDB actively encourage investment in Johor, and Singapore is collaborating with Indonesia's Salim group to build industrial parks on Batam and Bintan, two islands in the Riau group. Attracted hy the prospect of working with Singaporean expertise and efficiency and Indonesian wages, more than 30 companies have taken spaca on Batam, and exports from the plants already operational are growing fast.

Here, too, the gains for Singapore far outweigh any concern about lost investment, for companies establishing operations in Johor or Batam generally do so in order to perform more sophisticated tasks in Singapore.

There cannot be many examples of an industrialising country activaly encouraging foreign investors to go elsewhere. The fact that Singapore does is a measure of its confidence both in the increasing sophistication of its economy and in the enticing prospects for growth in the wider region.

■ Electronics profile: SGS-Thomson

# On the crest of a wave

SINGAPORE is continually worried about losing its competitive edge. Nowhere is this more keenly felt than in electronics, which accounts for almost 40 per cent of total manufacturing output and more than 40 per cent of domestic exports.

Concern focuses on rising wage levels and insufficient growth in productivity. But Mr Milivoj von Somogy, head of Asia Pacific operations for the European electronics giant SGS-Thomson, disagrees.

"In Singapore we can work 365 days per year. That's not possible in Europe. It's not only costs - it's the quality of labour we have here as well. And despite rising wages our total labour costs here are between \$4 and \$6 per hour that's not so bad for the type of high tech work we are doing."

SGS-Thomson started low cost assembly operations in Singapore in 1969. In 1982 it built its first wafer fabrication plant and now produces about 100m pieces per month of various computer chips from its Singapore operations.

Though core technology development is still carried out in Europe, SGS-Thomson's Singapore operations now employ 1,500 to produce increasingly sophisticated so called "froot end" products. Another 3,200 are employed in "back end" operations in nearby Malaysia.
"Initially low labour costs

brought us to this part of the world," says Mr Somogy. "Now we can source the bulk of our materials here, there is the expertise available and most importantly sales in this region are growing so fast it's a problem to meet demand."

Other electronics businesses tell a similar story. Companies that in the 1960s were assem-bling black and white TV sets have evolved to design and manufacture a comprehensive range of final products, sub-assemblies, components and parts for both industrial and consumer electronics indus-

More than 250 electronics companies in Singapore produced an estimated S\$31bn worth of goods last year, a 6 per cent rise over the 1991 figure. Products cover almost the entire electronics sector, from consumer goods to disk drives, semiconductors and printed circuit boards.

Singapore now accounts for about 50 per cent of total world output of computer disk drives. with about 18m unit drives valued at S\$8bn produced last year. This represents an increase of 28 per cent in volume terms over the 1991 figure. After an industry shakeout

in 1991 and a dip in trade in the first half of 1992 overall industry growth surged by 13.9 per cent in the third quarter of the year, a trend which was continued through the end of Strong growth is expected to

continue through 1993, with an expected upturn in the US Singapore's biggest export market, absorbing more than 40 per cent of total industry

As the electronics industry has become more regionalised, Singapore has developed into the main electronics re-export centre in sonth-east Asia. Reexports now account for about 25 per cent of Singapore's total

electronics exports.

The electronics industry facas varions challenges. Neighbouring countries - par-ticularly Malaysia and Thailand - have successfully developed their own electronics industries and threaten Singapore'a export competitiveness, particularly in consumer electronics. Singapore has continuously sought to upgrade its

New electronics centres such as Penang in Malaysia are already tempting some companies to move certain operations out of Singapore. Some

Companies such as SGSemployers complain of an increasing incidence of "job hopping" among electronics workers. There is also concern about government restrictions on importing labour and the costs incurred by a special for-

Electronics is still a sector overwhelmingly dominated by the multinationals. But more efforts are being made to integrate local concerns into the production process. The government recently set up an Institute of Microelectronics to assist the local electronics industry in spearbeading research and development and

eign workers levy imposed by

the authorities.

Despite some problems investor confidence in Singapore's electronics industry continues to be maintained. Investment commitments in the industry in 1992 reached S\$1.4bn - more than 40 per cent of total investment com-

mitted.

to train skilled R & D person-

Thomson realise that more investments and an ever stronger presence in the region are vital to take advantage of opportunities in the Asia-Pa-cific, the world's fastest growing market, "in terms of sales of our semiconductor market in the Asia Pacific has caught up with Europe," says Mr Somogy. "In the Singapore/Malaysia area our sales now exceed those of either France or Britain and are the same as those of Germany. China is opening up and presents a tremendous market. I don't see much change in the growth trend in this region for the

"We had 33 per cent growth in the Asia Pacific last year and expect a minimum of the same growth again. It's no longer a question of orders Instead It's a question of whether we can supply fast enough."

Kieran Cooke

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# A country run like a big corporation

Continued from Page 1

eldest son, Lee Hsieng Loon, and Mr Ong Teng Cheong, both deputy prime ministers, were being treated for cancer. The news shocked Singaporeans since it bad been widely presumed that the former, a tough but not especially popular chip off the old block known everywhere as "BG Lee" in deference to his military rank, was being groomed as Singapore's prime

minister in the not too distant future. The government insists "BC" Lee is responding well to treatment and will be back at his desk soon. But if the illness were to

remove him permanently from the scene, the reins of power would continue to be held by a group of men without an obviously charismatic leader. This is not an immediate problem. Mr Lee himself, now

70 but in apparently robust health, looks like being around for a good while longer. Mr Goh is an able administrator and is setting about trying to develop a more collegial - if not much more consultative -

style of government. But it does seem that, as it grows richer and better educated, as the generation that experienced the traumas of independence fades from the and as income stage, disparities widen, Singapore is becoming a more complex place to govern.

The fundamental questions

are whether a society so regimented as Singapore's still is will develop the capacity both to nurture the creativity of its best and brightest and to channel the frustrations of the less privileged - and whether it will continue to adapt and prosper in a way thet outlasts

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took away notebooks and computer files, and subsequently the paper's editor. Mr. Patrick Daniel, was among four people charged under Singapore's offi-cial secrets act. His "crime": publishing a leaked preliminary estimate of the country's second quarter gross domestic product which showed annual growth to be lower than expected at 4.6 to 4.8 per cent.

With the trial of those accused still continuing, the precise explanation for this uniquely Singaporean story remains obscure. But the affair has taken its place in the public consciousness as a vivid reminder of the concern in the island state last summer over

the economy.

Crowth was falling after the blow to confidence delivered by the Gulf war in 1990-91, the US economy which is the principal market for Singapore's exports was anaemic, tha world consumer electronics industry on which a large chunk of Singaporean mannfacturing depends was in a sarious recession, and Singapore's attractiveness as a manufacturing location looked threatened by a sharp rise in unit labour costs.

To the government it all had en ominous ring: the last time there had been such a combithere had been such a combi-nation was in 1985, when Sing-ating: the government has just

Richard Hu: managing his ministry like e giant corporation's finances

Behind the vibrant economic successes, frayed nerves are sometimes apparent, says Andrew Gowers

# Sprinter at the front of the pack

apore experienced e serious recession - its only one since independence and an event seared into the minds of all

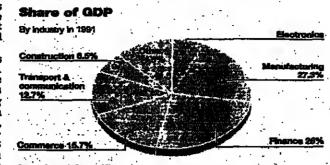
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As it turns out, the fears were massively overdone. Growth has continued at a rate that the industrial countries can only envy, manufacturing output has recovered after a drop in the first quarter, exports are surging, the finan-cial services sector has bounced back, the rise in labour and business costs has moderated, and foreign invest ment is still pouring in

The government now reckons that the economy bottomed out in the third quarter of last year, and grew by 5.8 per cent for the year as a

Manufacturing exports are again surging after a dip in the first quarter

whole - admittedly a slower rate than Singapore has been used to over the past two decades but healthy even by comparison with the other newly industrialising economies such as Hong Kong (5 per cent) and South Korea (4.9 per



revised upwards its estimate for this year's gdp to show expansion of 6 to 7 per cent. In all seriousness, government ministers call it Singapore's "soft landing". The country's success in

steering through the threat of a sharp slowdown and putting itself back on the path of more rapid expansion results from a mixture of luck and judgment. In the first place, the con-traction in 1991 and the first half of 1992 would have been much worse but for deft deployment of government funds to fuel a domestic construction boom. The construction sector grew by 18 per cent

last year, aided by a burst of

hospitals, schools and housing. Singapore remains in the fortunate position of enjoying a substantial budget surplus, which enables the government to turn the spending taps on or

Externally, strong growth in

the south-east Asian neigh-bourhood also helped carry the Singaporean economy through the first half of 1992, enabling it to capitalise on its traditional role as a transport and communications hub. But the main motors for its subsequent acceleration were twofold: The unexpectedly strong

recovery in America: non-oil exports to the US increased by an impressive 12 per cent in the second half. Although minpublic spending on infrastruc-ture such as roads, the port, isters do not expect perfor-

bleeding from a savage price

war in personal computers,

Singapore is benefiting from a

resulting surge in demand for

disk drives, integrated circuits and computer peripherals. And with new consumer electronics

products beginning to pour

back on to the market, it is

poised to win a healthy slice of

Nevertheless, the worries

being expressed last year have not vanished. The government

frets constantly about main-

the contest for foreign invest-

mance to be sustained at quite that level in 1993, the US economy should be strong enough to offset weakness in Singapore's European and Japanese

Real GDP growth

Electronics exports. As maker of around half the world's computer disk drives and of components for a wide range of consumer electronics products, Singapora is uniquely exposed to the international fortunes of these industries. Slowdown in the markets of the industrialised world and the apparent saturation of demand for certain consumer electronics goods spread gloom in the first few months

Today, whereas computer manufacturers everywhere are of growth. It still has some rea-

sons for concern. The most obvious is the unit cost of labour. Just a year ago, it looked as if a damaging gap was opening up between rapidly rising wages and much slower improvements in pro-ductivity: nominal wages rose hy 9.2 per cent in 1991, productivity by a miserable 1.5 per cent. In the first quarter of last year, productivity actually fell by 0.9 per cent.

The picture has improved considerably since then: last year, wages grew by 7.5 per cent and productivity by an average of 3.1 per cent as manufacturing output recovered. Nevertheless, with unem-ployment below 3 per cent of the workforce, there is pre-cious little slack in the econ-

Lack of space, people and resources are the main constraints

omy. Moreover, with the service sector playing an increas-ingly important role, it is ming more difficult all the ment, about the dangers of overheating in the labour and time to keep productivity ris-ing in line with wages.

As Dr Richard Hu, finance property markets, and about achiaving a sustainable, as opposed to helter-skelter, rate minister, put it in his budget speech last month: "Efforts to improve productivity and

restructure the domestic economy to squeeze more out of each unit of resource will face diminishing returns, as we are already starting from a relatively high base."

The government is working hard to keep business costs under control. In the budget, for example, Dr Hu announced a cut in corporate tax next year from 30 to 27 per cent, to be offset by the introduction of a 3 per cent goods and services tax (GST), and proclaimed the government's intention to get corporate taxes down to 25 per cent in due course.

But ministers are well aware that Singapore's constraints of space, manpower and resources will for the foreseeable future impose a natural limit on the rate at which they an afford to let the economy grow. "Our population is not growing, but if we can sustain productivity growth of 3-4 per cent we should be able to sus-tain 5-6 per cent economic growth," says Mr Suppiah Dhanabalan, trade and indus-try minister. "Anything more would lead to explore a " would lead to overheating."

problems in the long term enunciated every time a minister opens his mouth in public these days - lies not in further boosting the domestic economy but in capitalising on opportunities in the wider region. The challenge Singapore faces is to equip itself for a major investment drive into the rapidly growing economies around it in Asia, and in this task it has only just begun.

Dr Richard Hu, finance minister, is a rarity among politicans, says Kieran Cooke

# Technocrat from the private sector

DR RICHARD HU gives the impression of being that rerest of animals – an apolitical poli-

Though an MP since 1984, Dr Hu is first and foremost a technocrat, groomed in the private sector and eventually parachuted into high office. That was 10 years ago. "One thing with politics is the loss of personal freedom ... I've been so long out of the private sector I can hardly remember what it was like."

Dr Ha, 66, gained his Ph.D. in chemical engineering from Birmingham University and went on to lecture in England before returning to Singapore

years he was with Shell, rising to become chief executive of their operations first in Malaysia and then in Singapore.

Dr Hu's position would be envied by many of his col-leagues round the world. Since the mid 1980s Singapore has been running hudget surpluses. With foreign exchange reserves officially put at US\$40bu Singapora's fiscal position does not cause the finance minister too many sleepless nights.

Furthermore the nature of Singapore government - with its emphasis on a unified, corporate approach - allows Dr

in 1960. For more than 20 Hg to manage his ministry in very much the same way as he would the finances of a glant corporation. "The political part of this job is much less intense than it would be in the UK or elsewhere," says Dr Hu.

Nonetheless Dr Hn shares the views of Singapore's top leadership when it comes to key policy issues. New tax structures were recently introduced, with corporate and per-sonal taxes lowered. The central aim of the changes is to keep Singapore competitive.

"The competition for investment is going to be even greater in future. Hitherto sider Malaysia as one of our in the US – still Singapore's closed economies are opening major competitors. It's main export market. He feels

extraordinary how Malaysia has grown its industrial sector ing its head everywhere. there's a great shortage of capital, Making our investment climate more attractive is cru-

Dr Hu went to China in 1985 and returned again recently.

"The change is amazing. The

'Closed economies are opening up and competition for investment will be greater than ever'

Dr Hu is keenly aware of the changes taking place in the region, with Singapore's neighbours already nibbling away at the island republic's export markets. "Wa now consider Malaysia as one of our

money is trickling down and consumer demand is shooting up. The same thing will happen in Vietnam."

Dr Hn feels there is a good chance of an economic upturn in the US - still Singapore's

Japan has a great capacity for recovery - if it can solve its political problems. But monetary developments in Europe are viewed with dismay. "One of the unfortunate by

products of liberalising financial systems is that the door is opened to speculators. As we've seen, they can knock central banks down, Modern communications aids the process. It's so easy to do now. That's one of the reasons we are reluctant to free the Singapore dollar,"

Singapore has one of the highest per capita savings rates. Dr Hu defends what is criticised as an over-cautious fiscal regime but liberalisation of savings is now being inves-

"As long as you preserve financial independence half your problems are solved ... if you borrow too much you lose sovereignty."

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### SINGAPORE 4

FOR foreign bankers, brokers or fund managers, life in Singapore can be frustrating.

They see the local economy continuing to grow at a cracking pace, and grumble about the relative lack of opportuni-

ties to invest in it. funds under the government's control, knowing that there is little chance for outsiders to profit from helping to manage them, and envy Singapore's own cash-rich but highly conservative banks. And they chafe under the rule of the country's monetary authority. whose regulatory regime must outrank in severity that in any other of the world's money

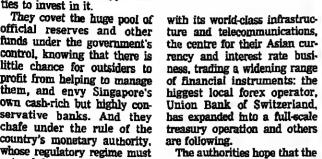
Some gaze wistfully towards Hong Kong, and moan at Singapore'e apparent fallure to make the most of opportunities in its own hinterland.

Their gripes are understandable but exaggerated. Finanzplatz Singapore may be a lot less exciting than its freewbeeling rival to the north. But with characteristic deliberation and single-mindedness it has carved for itself an important niche in handling the exploding flows of money around the region. Moreover, its reputation for boring integrity as opposed to speculative excess means it is in no danger of losing that niche, and may be well-placed to build on it the more so if Hong Kong takes fright with the approach of the handback to China in

As far as the banking sector

The financial centre has an enviable reputation, says Andrew Gowers

# **Island of integrity**



presence of so many integrated trading rooms in Singapore will act as an additional lure for multinational companies pondering whether to use the island as their Asia headquarters. They are also discreetly wooing other regional central banks. Brunei already manages its sizeable official reserves through Singapore, and the Bank of China is said to be on the point of establishing a

The particular advantage of Singapore as a forex centre, say MAS officials, is its international character. Unlike Tokyo, which is dominated by dollar-yen trading, business in Singapore is spread more evenly between dollar-yen, dollar-D-mark and other trades. and smaller regional currencies are also playing a growing role. "We have a much more diversified market with more depth and hreadth than Tokyo," said one official.

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% rise on previous period is concerned, the numbers speak for themselves. Singa-

pore is currently home or host

to 135 banks, all but 13 of them

foreign. Most are highly profit-

ahle: according to the Mone-

tary Authority of Singapore

(MAS), total profits for foreign

banks in the country remained

huoyant last year after a 36 per

cent rise in 1990 and 41 per

cent growth, to S\$1.84 bn, in

1991. Local banks' profits were

also continuing to grow at a

steady clip of 12-plus per cent. At a time when financial insti-

tutions in many parts of the

world are struggling simply to

stay in the black. Singapore

must be doing something right.

the heart of international

banks' operations in the city

state is foreign exchange trad-

ing. Figures from the Bank for

International Settlements show

that Singapore is now the

world's fourth biggest forex

trading centre, with an average daily trading volume of

US\$74bn last year - still a long

way behind London, New York

and Tokyo but for the first

Signs are that this growth

will continue. More and more

hanks are making Singapore,

time ahead of Zurich.

The activity increasingly at

"Banks find it convenient to come bere because you can trade a whole range of curren-

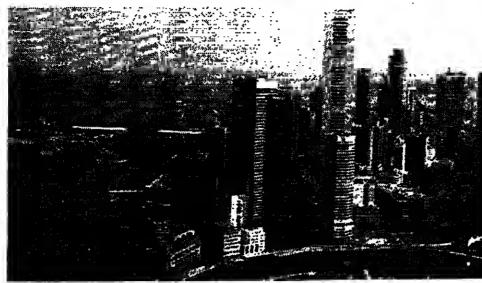
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Another increasingly important string to Singapore's trading bow is Simex, the Singapore International Monetary Exchange, which after years spent on the margins of the financial futures husiness now claims to be the fastest growing futures market in the world, Total turnover roughly doubled last year to 12m lots as Simex grahhed an increasing share of trading in contracts based on Tokyo's Nikkel stock index and Euroyen interest

The exchange plans to hulld on this success with the imminent launch of a Hong Kong stock index contract, and by expanding links with growing centres such as Talpei, with a view to becoming Asia's financial futures capital.

Singapore-based banks are benefiting in part from the difficulties being experienced in many other financial centres around the world. Although the interhank Asian dollar market is scarcely growing at present, and has actually shrunk from its peak in 1990, it



has become significantly more profitable. Competition from Japanese banks, in particular, has become less intense as they struggle to comply with BIS capital ratios; as a result, interest margins have

Similarly healthy profits are being recorded in the domestic credit market: domestic loans and advances rose by 8 per cent in 1992 as banks cashed in on the local construction boomlet and the general towards the end of the year. Singapore-based banks are grabhing an increasing slice of lucrative regional loan syndication business, too, and are major issuers of Asian dollar

it is when you consider the hroader picture, bowever, that Singapore's current limitations as a financial centre begin to become clear. Active currency and futures businesses are use ful tools for a country seeking to maintain and enhance its entrepot status. But they do not quite constitute a capital market with real depth and diversity; nor, given the vast resources at its disposal, do they measure up to Singapore's true potential as a financial

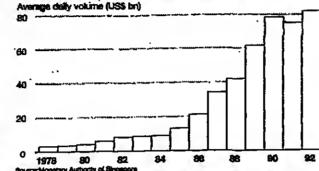
Indeed, there are a number

of specific domains in which

foreign bankers and hrokers argue that Singapore risks being overshadowed hy regional rivals in the next few years. The stock market is one. The Singapore Stock Exchange, once the leading market in South-east Asia, has long been dwarfed by its counterparts in Bangkok and Kuala Lumpur - now in competition with Singapore although some

listed there. Buying shares in an economy growing at 6 per cent or more a year should be an enticing prospect, and did entice seven foreign brokers to take seats on the exchange two years ago. But the buying opportunities are sparse. With much of the economy under

### Foreign exchange transactions



the control of the government or of multinational investors. only a narrow range of Singaporean companies is listed.

in all but a tiny number of stocks, trading is thin and illiquid, overall volume is not rising, and price/earnings ratios compare unfavourably with those on offer elsewhere in the region - albeit in markets where the risks are much higher. Brokers complain of onerous tax arrangements, and of cumbersome and intrusive market regulation. As a result, Singapore has had fewer new companies seeking liatings than some of its peers, and the market has been slow to

"Five years ago as a foreign investor you had a choice of

Tokyo, Hong Kong and Singa-pore/Malaysia," said one broker. "Now there's a lot of choices. Thailand is a much bigger market. You don't have to be here if you don't want to

Some relief may be at hand, however, in the form of longawaited privatisations. Later this year, the government plans to float a stake - probably 25 per cent, with a tranche offered to foreign investors -in Singapore Telecom, its highly profitable telephone monopoly. The multi-hillion dollar issue, which is expected to be heavily subscribed, will immediately add volume and hreadth to the market. It is also being seen as the harbinger of further partial privatisa-

ties. The authorities are also anxious to develop stock options and other derivatives on the exchange, which may further enliven proceedings in due course. Singapore's banks, too, face a daunting regional challenge.

tions - notably involving the

port authority and other utili-

By tradition they are staid, unadventurous institutions, preferring to focus their attention on the domestic market rather than expanding aggressively into the riskier world outside. Their rewards have been strong and reliable profits and a capital base that most international banks can only dream of (most have capital ratios well in excess of the ultra-conservative 12 per cent standard set by the MAS).

The authorities - proud of a record entainted by bank failures or scandals - have long encouraged the banks in their caution, both through their 'safety first" approach to regulation and through thair restrictions on the interna-tional use of the Singapore dollar. Now, however, they are exhorting the banks, like other Singaporean companies, to work harder on building a regional presence, which means building overseas branch networks and deposit

It is far from clear that the bosses of the big four banks are equipped, by temperament or experience, for the task although some local bankers and financiers are already dipping a toe in the water by establishing venture capital funds for investment in other Asian countries. Mr Lee Kuan Yew, Singapore'a senior minister, has endorsed this trend. saving: "Overseas development funds are an important segment of our capital market which we must develop."

There is one other big imped-iment to the rapid development of Singapore as a diversified regional capital market and fund management centre: the approach to information, underlined last year by a crackdown on journalists and brokers after the leaking to the Business Times of an official estimate for growth.

The foreign financial community remains bewildered about this affair. But perhaps the authorities - mindful of the dangers of loosening control - are happy with the financial industry just as it is.

The world's largest port

# Every 4 minutes a ship comes in

ANYONE sceptical about Singapore's confidence in long-range planning, and in its ability to circumvent its own anvironmental and demographic limitations, should visit the port, writes ANDREW GOWERS.

Occupying a pivotal site at the southern end of the Strait of Malacca, one of the world's busiest shipping channels, it is now larger than any other in terms of on-sbore surface area and of the gross registered tonnage of ships that call

With volume still growing at an annual rate of 15-17 per cent, it is surpassed only by perennial rival Hong Kong in volume of container traffic, and that only in the last year as the latter's China trade has soared. Work on a naw S\$1.4bn terminal in an island in mid-barbour to expand capacity nearly 50 per cent by 1995 from the current level of around 9m TEUs (twenty equivalent units - the standard container measure) is well advanced.

Sounds like enough to be going on with? Not for Singapore. The Port of Singapore Authority (PSA) is already working on a plan to build almost three times as much capacity again in four phases by the year 2030: a new 36m-TEU container mega-terminal to be constructed mainly on reclaimed land next to the existing port complex. It would be foolish to question its determination to proceed on schedule, with the first few berths ready just as Hong Kong reverts to Chinese rule

In any other part of the world, this might sound like tinpet gigantomania. After all, many of Singapore's neighhours are engaged in their own elaborate and expensive port huiding or upgrading schemes. Surely there cannot be room for all of them and for another three Singapores'

PSA and government officials beg to differ. Experience has shown, says Mr Lee Chee Yeng, the anthority's director of operations, that Singapore stands to benefit from increasing business elsewhere in the region, that It can maintain and improve its service as a hnh which other ports will feed with cargo. "It's not a zero sum game." he adds.

This is already a well-established pattern for Singapore, destination for huge numbers of feeder services from Thailand, Malaysia, Indonesia and as far afield as Sri Lanka and sontbern India. As international container ships have grown ever vaster - from perhaps 1,000 TEUs two decades ago to 6,000 TEUs today - the need for efficient bub ports that can swiftly transfer containers from one vessel to another has grown

Ships are getting very big now and very expensive," says Mr Lee. "They want to go to a few big ports and get out quickly. Big ports offer a wider choice of lines and prices are more competitive."

The volumes of traffic are staggering. A ship arrives in Singapore on average every four minutes - about 80,000 a year. On any given day, around 60,000 20-foot or 40foot containers are parked on the concrete waterfront while lines of vessels wait their turn in the haze beyond. Officials reckon that the port can turn around a ship carrying 1,000 boxes in 11 to 12 hours, which they claim is the fastest turnaround time in the world.

In this the PSA - a profit-making body owned by the government but due for partial privatisation, parhaps next year - is helped by Singapore's fanatical approach to its own limitations, and its high

The two things which ports use particularly intensively are the two things in shortest supply on the island: land and iabour. The PSA has thus had to find inventive methods of processing, storing, shifting nd loading containers.

It is experimenting with driver-less trucks to move boxes around and a computerised operating system which will plot precisely where they should go; it is plugged into a fully computerised document processing system which eliminates burdensome paperwork dures while the cargo is still at sea; it is using expert computer systems to determine the precise placing of containers within a cargo bold.

The only big snag, it seems, in this world of just-in-time planning, control and automation is the ocean itself. Mr Lee confesses he has yet to come answer to the typhoons that regularly sweep the south-east

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### Kieran Cooke reports on refineries and plastics

# The sun did not set

THE modern Image of 44 per cent of the region's oil Indonesia and elsewhere from dominated by electronics and other high tech products. But petroleum, one of Singapore's most established industries, still forms a key element in the economy.

Those who once referred to patroleum in Singapore as a sunset industry have been proved wrong. Last year more than S\$400m was spent on upgrading and refurbishing existing refineries.

Singapore is the world's third biggest refining centre after Rotterdam and Houston. The oil majors and the locally and foreign held Singapore Refining Company have invested heavily in a range of sophisticated plant and equip-

The total capacity of Singaover 1m barreis a day, supplying almost 40 per cent of Asia's refined product imports. Singapore has also become - along with London and New York -

This is the third biggest refining centre after Rotterdam and Houston

one of the world's main oil

The petroleum sector accounts for more than 10 per cent of Singapore's total manufacturing output and refined goods continue to be one of the

largest items in the country's Low refining prices worldwide have squeezed local profit margins in recent years. But Singapore's future as a refining

centre would seem to be assured by a number of fac- Singapore's geographical position, at the centre of the

supply chain from the Middle East to Asia's main markets in Japan and South Korea, is becoming ever more important as most economies in the Asia region rapidly expand. Oil demand in the Asia region is now rising by nearly four per cent a year compared

with a world average of 0.5 per

cent. Total petroleum demand in the Asia Pacific region is projected to rise from the present 14.5m b/d to nearly 20m b/d by the turn of the century. To meet this fast expanding regional demand, increasing amounts of oil will have to be shipped from the Middle East through Singapore. Though exploration activities are being stepped up in Asia, only about

needs are locally produced. By the turn of the century it is estimated that nearly 80 per cent of Asia's oil will he imported. Though several countries in

the region have announced plans to build refineries, there is concern about the increasing costs involved. Singapore is fortunate to have an established refining industry: it is far cheaper to expand and upgrade existing plants than,

 As a consequence of upgrading programmes Singa-pore is now acknowledged as one of the most efficient refining centres, capable of processing a wide range of product. Particular emphasis has been put on investments in equipment to produce low sulphur fuels, the so called "green" products increasingly in demand in the region.

A considerable petrochemical industry has grown up alongside the petroleum sector. Overall nearly 300 foreign and local companies are involved in refining, petrochemicals, industrial chemicals, pharmaceuticals and advanced materi-

As in the refining sector the petrochemical industry's margins have been squeezed in recent years by generally low world prices, plus a rapid rise in regional production, mainly caused by several plants coming on stream in South Korea. But Singapore's planners see

hig growth in regional demand for petrochemical products in the years ahead and have successfully attracted some of the biggest names in the business to invest in new plants. As in all areas of investment activity, Singapore is providing key infrastruc-

tural support. A landfill project is planned which will unite five islands off the main island of Singapore into a S\$4bn petrochemical complex. Du Pont, Mobil, GE Plastics and others are investing more than \$\$2bn in a

variety of projects. One of Du Pont's plants will produce key ingredients for polyurethane used, among other things, for liners in the ever expanding running shoe industry. Companies such as Nike moved their manufacturing operations to Asia some years ago: of the 90m pairs of shoes Nike produces each year, less than two per cent are made outside Asia. In future Du Pont will be

able to feed Nike plants in

its Singapore plant, rather than from the US. "We've been selling our prod-

ucts in this region for many years," says Mr Thomas Springer, managing director of Du Pont's Singapore operations. "Now having a presence here makes sense both from a production and from a sales point of view. Over the next few years we see our market in the Asia Pacific growing at twice the rate of

# FINANCIAL TIMES ASIA PACIFIC SURVEYS 1993

**PHILIPPINES** HONG KONG SHANGHAI **INDONESIA NEW ZEALAND MALAYSIA TAIWAN AUSTRALIA** THAILAND

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The Straight

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Asia's industrial expansion is a magnet for Singapore investors, says Kieran Cooke

# Challenge of the eastern horizons

LATE last year Mr Lee Kuan Yew, Singapore's senior minis-ter, made a lengthy visit to China. The trip acted as the catalyst for what is being billed as one of the main policy shifts in Singapore in recent

Mr Lee returned to berate Singaporeans for not participating in China's economic progress. Singapore had been made too comfortable said Mr Lee. The country was in danger of missing out because its people were not willing to take risks and invest overseas.

"That's our problem ... no one wants to go abroad ... we have got to shake Singaporeans up, make them adventurous, or we will be losers."

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All the considerable armoury of the government has since been mobilised to promote a new more outward looking policy. Ministers constantly talk of the need for Singapore to develop an external economy. a "second pillar" or wing.

They say Singapore must be more willing to take advantage of economic developments in the region. Singaporeans themselves must become more entrepreneurial, more willing to take risks, less afraid of fail-ure. "Who Dares, Wins" should in future be Singapore's motto, says Mr Lee.

The basic idea behind the new policy is that Singapore, having outgrown its small domestic base, cannot continue to expand its economy without the boost of external invest-

Entrepreneurs from Hong Kong and Taiwan and conglomerates from South Korea have all made huge investments overseas which will provide added growth at home in the years to come.

Singapore, says the government, has lagged seriously behind and now has to become more outward looking. The alternative, says Mr Lee, is an failed story - one that nearly made it but stalled half way." The Singapore Inc appoach, used so successfully at home, is being duplicated overseas. with government departments and bureaucracy coordinating with hig business to mount a

foreign campaign.
Dr Richard Hn, the Finance
Minister, announced a number of incentives to promote outward investments in his recent budget. The main thrust of a new tax package, which

One of the reasons for hesitancy is the insularity of an island people

involved cuts in both personal and corporate tax rates, was to encourage investments abroad. Tax exemptions are to be given to various overseas ventures, while the government will provide cash incentives to operations setting up abroad. Individuals will be encour-

aged to take part in risky but highly profitable ventures, knowing that if they dare and succeed, government will not cream off a large share of their

rewards," said Dr Hu. Singapore trade offices broad are helping investors identify opportunities. The government's Economic Development Board (EDB), which has attracted hundreds of companies to invest in Singapore. is now helping fund Singapo-rean businesses which want to open shop overseas.

A number of Singapore schools are planned overseas to encourage families to live abroad. The government has even set np a special committee to ponder the difficult question of how to make Singaporeans more entrepreneurial. Some are sceptical about the

new policy. They point out that

the government itself, and Mr



many ways responsible for fostering attitudes now being crit-icised.

They argue that by building up an over-regulated, carefully controlled society with an economy dominated by state companies, the entrepreneur has been squeezed out of peo-

Others say the real aim of the new policy is to tweak the ears of Singaporeans and pre-

Lee in particular, have been in vent complacency. "The government is once again using scare tactics, telling us that unless we try harder ws are in serious trouble," says one critic. "It's a very familiar

> In fact, Singapore already has considerable investments overseas. A recently completed Department of Statistics report said 2,290 Singapore-based companies had set up subsidiaries abroad up to the end of

1990, with direct investments totalling S\$7.49bn. Malaysia and Hong Kong were the two top locations both in terms of company numbers and amounts invested.

The report concluded that Singapore's direct investments overseas are "expected to grow dramatically in the 1990s" as new markets open up and Singaporean businesspeople gain more experience of working

That prediction has already been borne out by developments in China and Vietnam. China says that Singapore investments in China in the first six months of 1992 totalled US\$494m against a total of US\$896m for the entire 1979-91.

Hardly a day passes without the announcement of another big China project, usually involving one or other of Singapore's public companies in

combination with private sec-tor partners (see article below In particular, Singapore is

structural development and management – covering everything from airports and airlines to banking and fiscal systems - in the China market.

The same is the case in Vietnam. Singapore is now not only Vietnam's biggest trading partner, it is also among the leading investors in the coun-

For several years Singaporebased companies have been investing in hotels and real estate, most visibly in Austraia but also more recently in England and elsewhere. Several Singapore hoteliers are now investing in new projects

Singapore is one of the leading investors in Vietnam

in China and Vietnam.

Singapore is sitting on a mountain of savings. Its foreign exchange reserves are officially put at \$40bn though they are generally considered to be considerably higher.

The government's Singapore investment Corp (GSIC) which acts as government fund manager, has substantial funds invested in stocks overseas. The GSIC is reported to have navigated recent ups and downs on the Tokyo and Wall Street stock markets exceptionally well. "They are the smartest guys in town," said one

But some government investments have not gone well. A 1991 purchase for S\$821m of a 30 per cent stake in Mount Charlotte Investments, a British-based hotel chain, has not so far provided any returns.

Other investments in high tech companies in California's Sili-con valley have also proved

less than attractive. The government's answer to its critics is that such investments are made long term and that once risks are taken, then

some degree of failure is likely. The government now feels it is vital that such attitudes are passed on to the private sector. passen on to the private sector.
Entrepreneurs from Hong
Kong and Taiwan are not worried about the prospect of failure. As Mr Lee notes, every Hongkonger believes that he

can become a millionaire.
"There is that spirit of adventure, that willingness to take risks, to lose everything and to try again, that makes them so different and so successful. On the other hand, Singaporeans prefer secure careers and are home-bound. They are not willing to give up the security of Singapore for more gain abroad when they think the risks are too high or where it entails much discom fort."

Inculcating a more cavalier. swashbuckling approach in Singapore businesspeople has its dangers. Singapore prides itself on its above board husiness style. Entrepreneurs, to be successful overs have to learn to be more

Mr Goh Chok Tong, Singapore's prime minister, was recently asked if he felt there was a danger that Singapo-reans might import less savoury husiness habits from

overseas.
"I think when they go outside, they have to learn how to succeed and our rules will be

"In Singapore we do things in our usual way ... Outside I think they'll have to be entrehave to be correct."

Singapore Technologies

# Dynamic engine with a military rhythm

AT THE heart of Singapore's operates Singapore's mint and orientated economy is a group of state companies, accounting for an estimated 25 per cent of gdp. They, along with the multinational corporations, have formed the engine of Singapore's economic growth over

ne years. Singapore Technologies Industrial Corp. (STIC) is part of the Singapore Technologies. conglomarate, the largest industrial and high technology group in the country with a total workforce of more than 12,000 and annual sales of

The Singapore Technologies group started life in the mid 1960s as the industrial arm of Singapore's armed forces. One company in the group, Chartered industries, has devel-oped considerable expertise in a wide range of armaments and, according to a Singapore

STIC accounts for 25 per cent of gdp, employs over 12,000 people and has sales of over \$1bn a year

newspaper report last year, is now one of the world's top 10 military small arms compa-

The group has diversified into many other areas. Following a company reorganisation in the late 1980s, STIC was commercial activities in the electronics, precision engineering and industrial services sectors. Last year STIC had a

turnover of \$\$730m.
"Start with the idea that Singapore is like a company—that's the way it works," says Mr K. S. Wong, STIC's presi-

Mr Wong says STIC is not like public companies in other countries. "We have no subsidies. We have to borrow from the market. We have to take part in tender processes and compete with private sector

STIC's activities are very in Europe or elsewhere, varied. It owns the largest involved in technology and computer software house in want to come to Asia then we southeast Asia and provides computer recovery services to a number of companies, including Singapore Airlines.

It provides communications links on Singapore's mass rapid transport system (MRT), runs car parks, builds flight simulators, supplies the Singa-pore army with cooked food, runs a vehicle leasing company, owns one of the country's biggest travel companies and two retail stores. It also

Now tha emphasis is on expanding activities overseas. Industrial park development has been the main focus of attention. STIC helped in the formation of the first industrial park in Thailand a few years ago.

In partnership with another state company – Jurong Envi-ronmental Engineering – and the Indonesian Salim Group, STIC is building and operating a 500 bectare industrial park on the Indonesian island of Batam, about 20km south of

Batam will eventually employ 20,000 workers, mainly in the electronics industry. Already several multinational companies have set np operations on the island.

We provide everything for the [multinationals] from beginning to end," says Mr

Woug.
"We organise work permits, build their factories, lay on water and electricity, build sewerage systems, provida their housing. All they have to do is get on with their busi-

The Batam concept is now being transferred to China on a much larger scale. With the same partners STIC is building a 5,000 hectare industrial park in Fujian province. A similar project is being investigated in southern India. Other international opportu-

nities are being explored. STIC now has offices in Munich, New York and Tokyo. As well as industrial parks STIC is involved in specialised elec-tronics and precision engineering projects overseas. STIC has recently entered into an agree-ment to supply stitcher/binder modules for Xerox photocopi-

Mr Wong says there are many other possibilities for STIC overseas, particularly if partnerships are formed with

"If you are a multinational

suggest you look at us as a possible partner. STIC has an established network in the regional market. Wa also have all important guanzi [connec-tions] in China. Perhaps most importantly we are willing to put our money up front. Forming such partnerships is part of our philosophy and the way to grow internationally in the

Kieran Cooke



### A MISSION TO BE WORLD CLASS

To be at the forefront of technology... Provide our customers with a range of services that meet the highest international standards ... All at competitive prices. The essence of our mission.

Singapore Telecom serves more then 3,000 international companies that have chosen Singapore as their Asian home. Our telecommunications services end infrastructure ere consistently rated the best in the world.\*

We're turning our sights to international markets. And Singapore Telecom will continue to be guided by a single determination to offer world class communications to our customers, wherever

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they may be and whenever they may need them.

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Service first. Always.

Premier Goh Chok Tong must work harder to assert his authority, writes Kieran Cooke

# A legacy and a challenge

AT THE end of last year, Mr Goh Chok Tong, Singapore's prime minister, put his political neck on the block.

Mr Goh resigned from parliement and stood in a by-election in his own constituency. There was no doubting that Mr Goh and his governing Peo-

ples Action Party (PAP) would win. Tha crucial factor was the margin of victory. In the event Mr Coh and the PAP gained 72 per cent of the vote. Such is the nature of Singa-

pore politics. If Mr Goh and the PAP had not schieved a resounding victory in the by-election the prime minis-ter's future could have been in

Mr Lee Kuan Yew, Singapore's prime minister for nearly 30 years till he handed over power to Mr Goh in 1990, told voters that the future of Singapore would be in jeop-ardy if Mr Goh and the PAP did not win by a big margin.

"There is a danger that a significant percentage of voters may believe they can score points against the government by reducing the PM's votes and leave their neighbours to vote for the PAP," said Mr Lee.

"I ask them to pause and to consider the effect oo their

ONE thing Singapore cannot be faulted for is planning.

Long before the government annonoced Its policy to develop s fully fledged exter-

nal ecocomy and encourage

Singaporeans to invest over-seas, the ground was being

The Singapore International

Foundatioo (SIF) was founded

in 1991 with the specific goal of eocouraging Singaporeans

Dr Chan Heng Chee, former

university lecturer and most

receotly Singapore ambassa-dor to the UN, is SIF's direc-

tor. Though government played a role in bringing the

SIF into being, Dr Chan stresses that the SIF is an

independent, non political

"We aim to help Singapore in its efforts to go global. This

should benefit others and ben-

efit Singapore as well.

organisation.

to think internationally.



Ex-premier Lee Kuen Yew; out of power but still on the stage

own future...If the by-election result is poor, you will cast a shadow on the PM's suthority and put Singapore and your own future in doubt...If you dany the prime mioister s strong endorsement by a much lower percentage of votes, then you would have shot yourselves in the foot."

The need for such over whelming victories at the polls is partly to do with the problems Mr Goh has faced coming to office after such s dominant leader as Mr Lee. It is also a reflection of the PAP's political

Mr Gob has oot had an easy

the founder's long shadow

time asserting his polltical authority. Mr Lee towered over Singapore's politics and virtu-ally every facet of the country's life for more than 30 years. Mr Lee resigned from office to make way for a second generation of leaders in Singa-

pore, among them Mr Goh. But Mr Lee did not leave the political stage. Far from it. He came senior minister in Mr Gob's cabinet. Mr Lee did not hesitate to criticise if he felt the running of the country was not being carried out properly. In an effort to establish his

own political mandate, Mr Gob called a general election in mid

Singapore's two deputy prime 1991. The PAP won 77 of the 81 ministers. But last November seats in parliament and 61 per it was announced that both BG cent of the popular vote. The result, though highly Lee and Ong Teng Cheong. respectable by the standards of another deputy prime minister,

most governing parties else-where, was considered a serihad cancer. BG Lee has been away from ths political scene for several ous setback by the PAP and by Mr Goh. More opposition MPs than before had been allowed months. Mr Goh says that the younger Lee has responded into parliament. The PAP had well to treatment and it is likely he will take up his seen its vote sup to its lowest duties again soon. level since the late 1960s.

Mr Goh has taken over the Mr Goh did not feel his political legitimacy had heen estahimportant post of PAP secrelished. That finally came with tary general from the elder Mr Lee and put his own people in key positions, including placthe by-election last December. But in the interim, various ing a former aide as head of the powerful internal security factors bad strengthened Mr

Mr Goh appears confident

ter, or of any conflict with Mr Lee. "The important thing is the relationship between myself, the senior minister, BG

Lee and my colleagues. We

know the nature of our rela-tionships. I know what role I'll

be playing in Singapore...I was

hoping, frankly speaking, that

I could contemplate my retire-

ment io the year 2000...I see myself in this job for quite

some time to come, even had

there been nothing wrong with

table development in s matur-

ing political and economic

The governing party is a highly disciplined, secretive organisation that carefully

selects its members. After

more than 30 years in power

the PAP and government have

become synooymous. The party still very much reflects

Mr Raj Vasil, a writer on

Singapore politics, says the elder Lee is the party in the

eyes of Singaporeans: "The

Mr Lee's image.

Goh's position. There is a widely beld belief in Singapore that Mr Goh was not Mr Lee's preferred choice as prime min-Ister. Mr Lee had carefully groomed his own son for the Lee Hsien Loong, a reserve hrigadler-general known as "BG" Lee, is cut vary much in the same no-oonsense mould

only as an interim prime min-ister - in the job until BG Lee, 40, was thought ready to assume office. BG Lee had distinguished himself as Minister for Trade

and Industry and ss ooe of

as his fatber. Mr Goh was seen

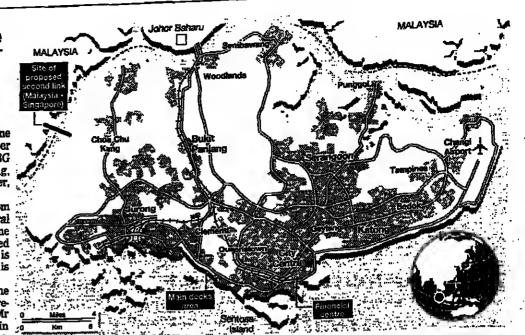
But Mr Goh and the PAP do have problems. If the PAP vote Brother motive." Dr Chan feels Singapore has a lot to continues its downward trend offer the world. "Singapore is s good brand name. We work hard, we are efficient, we get in geoeral elections it is not inconceivable that within s few years there could be up to 20 opposition MPs. There are those who see this as an inevi-

The SIF seeks to belp Singaporeans to Internationalise, while maintaining what's considered to be a distinct Singaporean identity.

According to Dr Chan that identity is made up of various elements. Insecurity is one of them. "Insecurity is part of the psyche of Singapore. Our history has taught us that we are vulnerable. We are a paradox. We always have to bal-ance the needs of creativity with the requirements of building a state, a nation."

But as more and more Singaporeans seek opportunities PAP does not have much of an Identity Independent of the overseas, they will have to (then) prime minister and the government headed by him. Its loosen np. "That will be a challenge to our identity."

image, identity and appeal are Kieran Cooke almost entirely derived from



the personality of the prime

So far, there is little sign that the PAP is willing to and denies any suggestion that he is an interim prime minisor wishes to change its image.
A sizeable section of the Singapore population seems to feel that its economic needs are being largely ignored by a government and party which is seen to have grown elitist, too focused on tha increasingly affluent, English educated mid-

> This group feels lifa is becoming increasingly expensive. It feels it is missing out on the fruits of Singapore's economic success. Many of these people – Chinese dialect speakers living in housing estates - were once the bed-

rock of PAP support. Opposition parties are still small and tend to lack coher-ent alternative policies. In the past government has used various methods to undermine the opposition. Many talented Sin-

gaporeans have been reluctant to oppose government.
But the PAP itself is also short of talent - a fact acknowledged by Mr Goh late last year when he said his cabinet was ageing and needed to be revitalised with new political talent

"My job is to make sure that the drop in the PAP vote doesn't come about. So when there is a one per cent drop, I get worried...if the PAP can succeed in recruiting very able people, honest, dedicated, committed, to join the party, we think the PAP is going to be in government for a long, long

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ECONOMY	1991	1992			
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Total GDP (\$ bn)	6.7	5.8			
Components of GDP (%)					
Private Consumption	43.7	43.1			
Total investment	38.2	40.8			
Government Consumption	10.4	9.8			
Exports (net)	8.1	6.2			
inflation rate (%)2	3.4	2.3			
Employment growth (%)1	+2.6	+3.4			
Reserves minus gold (\$bn)2	34.1	39.5			
M2 growth (%)1	+14.3	+11.7			
Call money rate (%)	2.8	8.0			
3 month interbank rate (%)*	3.0	2.2			
Strait Times index (%)*	+29.1	+2.3			
Current account (\$ bn)	3.3	2,9			
Exports (\$ bn)	56.6	60.9			
Imports (\$ bn)	61,6	66.5			
Trade balance (\$ bn)	-4.1	-4.9			
Main trading partners (%)*	Exports	imports			
US.	19.8	15.8			
Malaysia	14.9	15.3			
Japan	8,7	21.3			
Hong Kong	7.2	3.0			
Thalland	6.3	3.2			
UK	3.0	. 2.9			
EC	14,0	12.0			

KEY FACTS

Notes (1) Year on year percentage change (2) Year on year percentage change in consumer prices (4) Year on year percentage changa at 31st Dec. (5) Percentage share by value in 1991 Source: IMF, Datastream, WEFA, Economist Intelligence Unit

### Profile: role of the SIF

# Widening the island's mental horizons

have Singaporean profession-als helping in various countries. At the same time we try to stay in contact with Singareans overseas, to tell them about developments here." Dr Chan feels much has

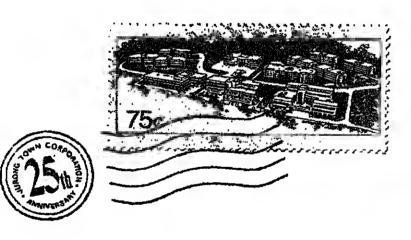
changed in Singapore - not just the physical landscape. "Singapore has opened up. If yon read the newspapers today compared with a few years ago they are very different. There is more willingness to criti-

"The arts and theatre scene has changed. It might have a certain innocence and perhaps

lacks sophistication. But I tell people there are tremen-dons opportunities io Singa-pore, especially for the

The SIF estimates that np to 100,000 Singaporeans are now living abroad, a sizeable proportion of Singapore's 2.8m population. Dr Cban says that there is coocern about a brain drain and one of the aims of the SIF is to keep in touch with Singapore's overseas talent. She denies any suggestion that her organisation is out to keep tabs on its citizens.

"I don't have lists of names or dossiers - there is no Big



# AFTER PUTTING OUR STAMP ON SINGAPORE'S INDUSTRIAL LANDSCAPE, WE'RE READY TO GO OVERSEAS.

When Jurong Town Corporation was formed in 1968, much of Singapore was made up of pockets of slums and swamps.

The mission to develop our country's industrial intrastructure read uncompromisingly like a charter to explore the New World.

Our maiden project was to create Singapore's lirs industrial park out of a sweltering jungle fringed with crocodile-inlested mangrove swamps.

Sweeping aside all romantic notions, the men and women of JTC (as we have come to be known at home) put hand to plough.

A fotal of 6,400 hectares of land was levelled. In a matter of months, power lines, water and sewage pipes, roads, rail and communication lines, like a system of life-giving arteries, were laid in place.

about 5,000 factories, a deep-water port, a reservoir,

And then, like the proverbial phoenix, rose

With the changing times came the need lor cleaner, environmentally friendly lactories, sophislicated lacitities for high technology industries and designs with energy-conserving features.

And while JTC received increased recognition for its role as the chief architect of Singapore's industrial landscape, the Corporation continued to push ahead with bolder, bigger and newer plans for the luture.

Not even mountains, some had whispered from the fringes, can stand in the way of Jurong Town Corporation's resolve to get a job done.

Today, JTC manages more than 30 industrial estates housing a total of about 5,000 multinational corporations and tocal companies.

From multi-storey factories to technology and business parks. From industrial land preparation . to port and marine services.

Somewhere along the way, the problems and challenges encountered in earlier years became the basis on which the Corporation's experience and expertise are built.

Is it any wonder that JTC possesses the expertise to manage a wide range of services in

the keenest minds in Singapore?

Or is it surprising that JTC has now grown to be the largest developer of industrial estates in the island Republic?

Today, JTC's phenomenal success and rapid expansion prompts us to look abroad to share our knowledge and experience.

Joint venture projects are going on in Thaifand, Indonesia and China.

Consultancy services for overseas projects are currently being undertaken by one of our subsidiary companies.

JTC still continues to seek partnerships from att quarters to develop investment opportunities in the Asia-Pacific region.

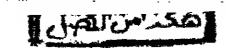
For more information, write to us at Jurong Town Hall, 301 Jurong Town Hall Road, Singapore 2260. Or you can contact us by lax (65-568-8646) and telephone (65-568-8648).

You will find us particularly insightful and tempered with a taste tor challenges.

Alter alt, it seems like only yesterday when we had our humble beginnings in

a crocodile-infested swamp.





FINANCIAL TIMES SURVEY

# LATIN AMERICAN FINANCE

SECTION IV

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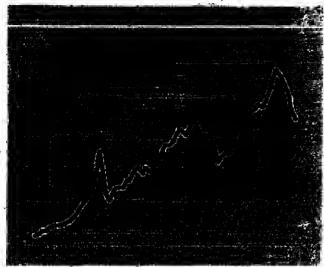
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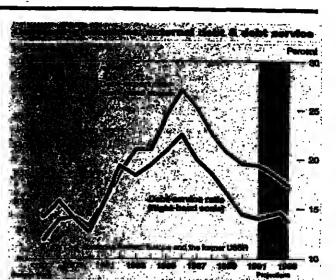
**FLIDOLF** 

15.1

Monday March 29 1993







T could be one of the most important financial developments of the 1990s, setting investment trends into the 21st century — or perhaps just another financial fad. Megatrend or a flash in the pan, Latin America has in the last three years pushed fiself to the top of the agendas of investors—individual, financial and cor-

porate – worldwide.

The reasons are both internal and external to the region internally, economic policies offering prospects for stability and a return to growth are being pursued by governments no ionger hostile to private capital. The cloud of the 1980s foreign debt crisis has lifted in some countries, thanks to low US interest rates and negotiated debt relief. Externally, low returns in established markets have forcad investors to look further afield to improve

Michael Howell, of Baring Securities global strategy unit in London, reckons: "One in every three new investment dollars now allocated worldwide in equity is going into

emerging markets."

Of this, Latin America is getting an important share.

Mr Howell often describes to investors an ideal investment portfolio for the turn of the century. The portfolio is only 54 per cent invested in the stald markets of the industrialised world: the rest is in the

emerging markets of developing countries. One-fifth is concentrated in Latin America. Yet this is no portfolio of the future, but a typical British investment spread in 1913. Mr. Howell argues that, after years in which emerging markets

were ignored, history is turning a full circle.

Richard Watt was recently appointed head of Latin American investments for Gartmore Investment Management, which manages around £12.8hm (\$19hm) of funds. Gartmore has recommended to clients that they put up to 1½-2 per cent of their portfolios in newer emerging markets. Around 70 per cent of that will go to Latin America. Gartmore has already placed £40m of investment in the region since the start of the

Pension funds in Britain account for more than £300tm of investments. Philippa Armitage of Fleming Investment Management believes UK institutions will approach Latin America as they did Asia's emerging markets some years ago, initially committing perhaps 1-2 per cent before building up to higher levels.

UK institutions are lagging

Dutch and, in particular, US

investors. In the US alone,

institutions hold some

One in every three new investment dollars now allocated worldwide in equity is reported to be going into emerging markets. Latin America is winning an important share, reports **Stephen Fidler** 

proposed international equity

The market for Letin Ameri-

can bonds also had its share of troubles: the latter part of the

year saw a glut of over-priced

bond issues which sold poorly.

Some anderwriters only cleared their books of these

senes with this year's fortu-

itous drop in US interest rates:

they may as a result be more

These problems, providing investors with their first real

setbacks since private capital began flowing back into Latin

America at the start of the

1990s, contributed to a slowing

of portfolio investment into the

region last year. That interest

among portfolio investors in

the region continues to grow

after such difficulties suggests

the return of foreign capital to

the region may be more than a

cautious in the future.

offerings high and dry.

Top of investors' agenda worldwide

\$6,000hn. There, some consultants are recommending significantly larger exposure to Latin America. They see economies with good growth prospects, attractive share valuations and the scope to increase return by diversifying portfolios and thereby reducing risk.

WEN if a fraction of this money makes its way into Latin America on a sustainable basis, it can make a huge difference. Yet investors are still cautious after the 1989s debt crisis, unsure about the durability of the improved economic performance. There are questions about the ability of markets to absorb a large influx of funds. Investors rarely complain about inadequate settlement procedures – except in Venezuela – but the markets in most shares are thin and prone to overshoot.

This volatility of Latin stock

This volatility of Latin stock markets was forcefully underlined last year. Stocks hit new highs in the first half of the year and then collapsed, leaving investors with meagre returns and a large number of transitory phenomenon.

Despite this, an important proportion of the inflows – too high for comfort – has been of volatile short-term capital. This has been attracted by high real interest rates in the region which are a conse-

quence of tight monetary policies aimed at curbing inflation. a Dependence on short-term capital to cover corrent account deficits – such funding

is estimated to make up

between a third and a haif of Mexico's capital inflows - carries risks. It can flee as quickly as it arrived, with harsh consequences on interest rates, growth and economic policy.

Over-dependence on volatile foreign capital has underlined the need for reform to boost domestic savings, following the example of Chile where private pension funds have stimulated growth of local capital markats. Throughout the region,

There has also been a significant influx of long-term capital, foreign direct investment (FDI) with the potential to expand the region's productive capacity. As portfolio flows slowed last year, foreign direct investment is estimated to have continued growing. No longer viewing such invest-

ment with the suspicion of the

foreign banks are showing a

growing interest in local capital markets. past, the region's governments
are doing what they can to
enjoy

attract it.

Some FDI has been spurred by privatisation, an unrepeatable phenomenon, but much has also been driven by growth prospects and expected progress towards regional economic integration, which translates into bigger domestic markets.

APITAL inflows have opened in some countries the prospect of a future path to sustainable growth. They do not guarantee it, however. Latin America is in the early stages of an economic transformation that involves the destruction of much old industrial capacity. Industries once protected by high tariffs and import quotas are no longer viable.

This restructuring - together with the slimming down of government - implies nnemployment for important, and often powerful, sectors of society. Yet the economic benefits of new investment, if indeed it continues, could take years to become syident. Since elected

governments now hold sway in most of the region – and in the next two years almost every country faces a presidential election – there is a risk of a reaction in economic policy.

Even if economic success is enjoyed by some countries, others may miss out. The economic prospects for the largest economy – Brazil – are highly uncertain. Governments face social problems – big income inequalities and poverty that worsened throughout the

in two big economies, Argentina and Mexico, inflation has been tackled in part with policies that have encouraged an appreciation of the real exchange rate. These countries and others have experienced widening current account deficits, raising questions about whether they can be financed on a sustainable basis. Absent Brazil's big trade surplus, the region's widening current account deficit underlines that whatever investment so far has taken place, it has yet to create

an important base for exports.
The reform of the region's economies has given Latin America a heightened dependence on foreign capital, external economic conditions and the world trading system. The auguries are strong for contin-

ued flows of new finance to Latin America. Yet most of the region's governments have placed their bets on a system of free markets and free trade, a system now being questioned in the US, the region's most important trading partner, and elsewhere in the industrialised

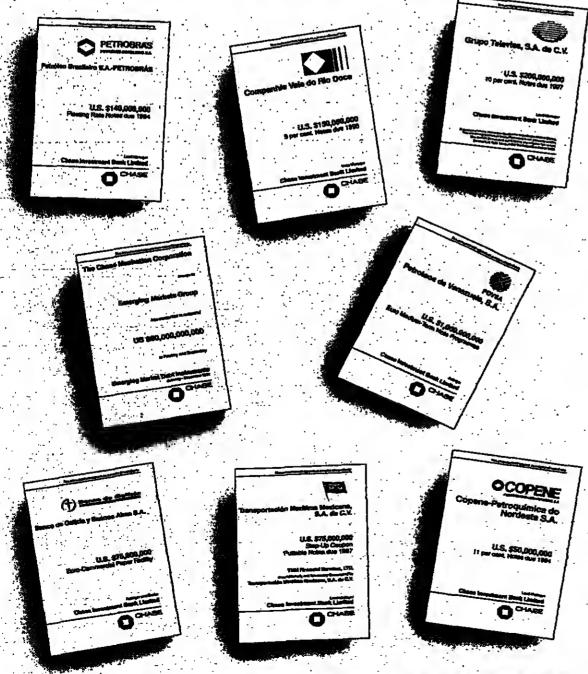
ON OTHER PAGES
The return of capital

to Latin America

III On pages 2 to 5, Stephen Fidler, Latin America Editor. examines in detail the resurgence of capital flows to Latin America and whether they are sustainable. The inflows have helped to restore growth but have not been unalloyed good news in the management of economic policy. What are the prospects for continued flows of short-term capital, portfolio investment and foreign direct investment and is there any denger, with the region's current account deficits on the rise, of any repeat of the 1980s debt crisis?

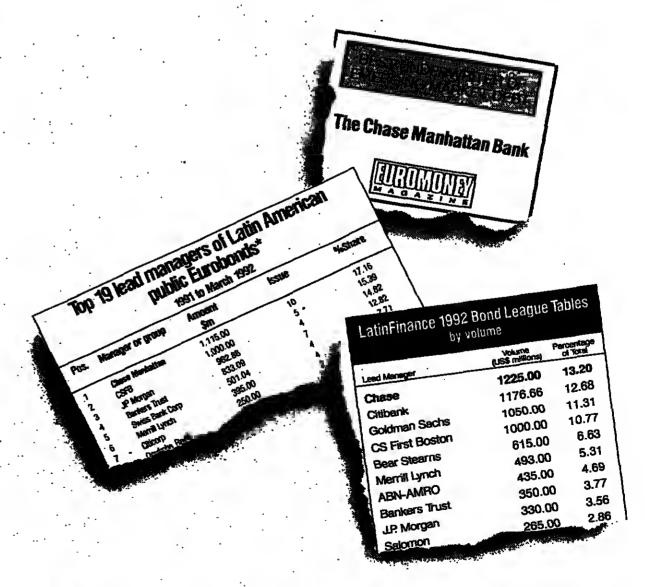
Ill Tracy Corrigan looks at secondary markets while Richard Lapper reports on the way that pension funds can promote local capital markets. See page 6

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PROFIT FROM THE EXPERIENCE

### The return of capital to Latin **America**

Report by Stephen Fidler

T THE beginning this year, the Financial Times celebrated its 100 years of publication on pink paper and carried a reproduction of its first pink issue.

News oo Latin America was prominent. One front page article declared that JS Morgan end Co and Baring Brothers declined an invitation "to send delegates to Bue-nos Aires to discuss the debt question". IS Morgan saw nothing to negotiate about in regard to loan

Mexico's debt had been renegotiated five years earlier. On the last day of 1892, Mexican 6 per cent bonds issued in the 1888 restructuring by the Porfirio Diaz government closed np a quarter point on the London stock exchange, et 78 per cent of face value.

One does not have to look far to be reminded of the boom-and-bust nature of the international financial markets' 200-year-old affair with Latin America. The question now is whether the recent unusual upsurge in private capital flows is sustainable, or whether once again the whole process is going to end disastrously.

The flows have been spurred by developments both within and outside the region. Latin American governments have set the scene by introducing economic policies which have met the approval of investors. To greater or lesser degrees governments have opened economies to ontside competition, curbed budget deficits, privatised state 'ndustry and generally increased the role of the market, High real interest rates, designed to bear down on inflation, have more than compensated investors for the

perceived risks of investment. The foreign debt problems which plagued governments during the 1980s have been temporarily ameliorated by sharply lower US interest rates. Mexico and others have benefited from longer-tarm, albeit modest, debt relief through the plan launched in 1989 by former US Treasury

Secretary Nicholas Brady. Outside the region, low US

interest rates and recession in the US and other industrialised countries beve lowered investor returns in more traditional markets, and led investors to look at higher returns offered in Latin America. These investors include Latin Americans who, over the previous 20 years, had moved capital away from the region.

According to preliminary estimates from the Economic Commission for Latin America and the Caribbean (Cepal), the region's net inflows of all types of capital amounted to 7bn last year, 50 per cent up on the preceding year and nearly three times the level of 1990. The greater part of this inflow was private capital.

Mexico's inflows were op to \$23.3bn from \$21.5bn; while Argentina's rose to \$9.3bn from \$5.3bn. The most remarkable rice was Brazil's, to \$10.1bn from \$1.2bn

After nine years In which Latin America transferred resources to the rest of the world, net transfers - that is new finance minus capital repayments and interest and dividend remitted abroad came positive to the tune of \$5.5bm in 1991 and trebled in 1992 to \$17.1bn.

The inflows to date beve been critical in the restoration of economic growth: economic expansion exceeded population growth in 1991 and 1992. They have helped to lift the financing constraints that have plagued tha region'e economies eince the beginning of the debt crisis.

### Too much of a good thing?

HOWEVER good for growth, the extent of the inflows has complicated the task of governments across Lctin America in managing economic policy.

The flows have had important repercussions on exchange rates, the money sunply, inflation, interest rates and wages. They have often pushed economies economy in the opposite direction from that intended by governments. They have made it more difficult to increase exports, have increased dependence on international capital markets and on developments in the indusEconomic outlook: current account balances and total external debt (\$bn)

4114 606	THE CARCI	inter acres l		
Country	1992 balance	Proj. 1993 balance	1992 debt	Proj. 1993 debt
Argentine	-8.0	-8.0	52	56
Brazil	5.2	3.7	127	127
Chile	-0.5	-1.2	19	20
Colombia	0.9	0.4	16	16
Mexico	-22.7	-25.7	105	112
Peru	-1.8	-1.8	22	23
Venezuela	-3.7	-2.6	34	35
LATIN AMERICA	-30.5	-35.2	384	390

money supply by selling gov-

ernment dabt. But if it sells

debt, this pushes interest rates

higher - thereby deterring

physical investment (which is

actually what it is trying to

It also spurs evan more

In the mean time, central

banks lose money as they buy

up foreign exchange on which

they earn single-digit interest

rates, and pay double digit interest rates or higher to buy-

The problems caused by sell-ing debt to "sterilise" capital

inflows were particularly acute

in Brazil last year. There was a

rapid expansion of internal

debt and a sharp rise in reserves. But because inflation

and real interest rates were so

high, the interest rates paid on

tha extra debt added critically

to the overall fiscal deficit.

which fed into the country'e

OLOMBIA also had

exchange reserves rose

great difficulty: foreign

in 1991 by \$1.9bn, equal to its

entire monetary base. High

real interest ratee, which

resulted from attempts to ster-

ilise these inflows, meant that,

according to the InterAmerican

Development Bank, in Colom-

bia and some other countries

there had been "no real benefit

of the inflows of capital to the national economies in terms of

increased investment or faster

By common consent, Mexico

has probably struck the best

balance. Although it had the

largest inflow, its fiscal surplus allowed internal debt to be

paid back and interest rates to

Without the fiscal surplus -

which is difficult psychologi-

cally to justify in a developing

country - interest rates In

Mexico would have had to be

higher and therefore economic

ers of the debt.

inflation problem.

trielieed world, and have played a role in bidding up prices of existing assets, the general benefits of which have not always been clear.

Most governments have handled the inflation risk caused by the capital inflows with some skill. The proof of this is in the decline, except in Brazil, of inflation rates across the region as governments have responded with tight monetary and fiscal policies.

However, this has, in some countries, been at the cost of an exchange rate pitched too high to ensure that domestic industry remained competitive in international markets.

The appreciation of real exchange rates caused by the inflows to some countries has by making axports more expensive and imports cheaper - edded to the difficulties of expanding exports, It has placed additional pressures on domestic industries also facing the tough adjustment to lower tariffs and the lifting of import quotas. As Chile's finance minister, Alejandro Foxley, said last year: "We already know from the previous crisis that a sudden inflow of capital can be extremely destructive: it forces an eppreciation of the currency that can be of such a magnitude that it will severely burt the domestic productive struc-

The exchange rate has been a real bind for many governments. If they allow their currencies to appreciate, domestic industry is damaged, imports increase and the current account deficit worsens. If they attempt to maintain exchange rates by intervention in the currency market, the inflows are absorbed through increases

in foreign exchange reserves. However, this latter course because the government issues domestic currency to buy foreign currency - expands money supply and increases inflationary pressures.

The government can take

growth slower. The Mexican government action to offset the increase in has also used foreign currency

growth."

Chilean finance minister, Alejandro short-term inflows of capital. Foxiev warns: "We already know from the previous crisis that a sudden inflow of capital can be

reserves to buy back foreign debt, although this has the disadvantage again that it uses high-cost capital to buy back low-cost capital.

Significantly, a further possible policy reaction has hardly been discussed in the region: direct obstacles to capital flows. It is clear that most governments recognise thet this would send a strong signal sug-gesting a reversal of the recent nancial liberalisation.

Furthermore, there must be substantial doubts about the efficacy of capital controls or foreign exchange controls either to keep funds in a country or to stop them from entering. Such controls would probably have little effect at a substantial cost.

There is no doubt that the inflows would probably have been more useful if they had been somewhat slower. As the InterAmerican Development Bank said, late last year: "It would have been preferable if they had entered the countries more gradually and on a sustainable basis. Indeed, forecasts suggest

that inflows to the region will slow down in the current year. This will happen for a variety of reasons, but an important contributory factor will be the impact on the figures of Brazil. That country's continuing economic difficulties will feed continuing fears about another asset confiscation through some kind of shock plan, while the government's growth orientation may bring about a decline in real interest rates.

### A rerun of the debt crisis?

THE sudden rusb of capital into Latin America has mevitably raisad questions about what happens if it stops. As the combined current account deficit of the region widens sharply, as it did last year, the parallels are already being drawn with the years that led up to the debt crisis of the

There are significant differences, however, between what is happening now and the experience of the late 1970s and early 1980s which should reduce the risks: Then, budget deficits and

inflation were on the rise, while now inflation is declining and budgets are balanced. • Then, the borrowing was mostly done by the public sec-tor and this time it has been private. This does not comfort everybody: the worrying exception last time was Chile, where the government was eventually forced to assume private foreign debt, mostly owed by Chilean banks. "Private debt in Latin America has a way of becoming public debt," notes one US economist

· Then, the inflows were largely bank-financed and with interest rates floating along with US rates. This time the mix of inflows is significantly more varied - including equity, more borrowing at fixed interest rates, and an important component of direct investment. Equity investment does not create debt and dividends, in contrast to interest payments, are only paid in the event of investment success. Although in some countries debt servicing would still con-stitute a problem if US interest rates rose sharply, the new capital flows do not increase the vulnerability of the region to US interest increases in the way that the debt inflows of the 1970s did.

 Then, the capital inflows represented a much larger percentage of regional domestic product than in the 1990s. In 1978-82, capital inflows into the region as a whole represented 7 per cent of domestic product in 1990-91, about 4 per cent and last year 4.8 per cent. However, the averages deceive: Mexico's inflows represented last year over 8.4 per cent of gross domestic product.

There is another crucial difference. Unlike in 1978-82, official reserves have been rising as authorities have actively intervened in the foreign exchange market. Many goverriments thus have a substantial cushion of foreign exchange reserves in case of troubles ahead.

The current account deficit has been very much the counterpart to the capital inflows. Figures from the Economic Commission for Latin America and the Caribbean show a doubling of the region's current account deficit, excluding Bra-zil's large surplus, to \$39bn last year from \$18bn in 1991. This of itself is not necessarily bad: it in part reflects the recovery from the 1990s recession which released demand for both investment and consumer

goods from abroad. Nonetheless. Mexico's current account deficit of around 6 per cent of its GDP in 1992 accounted for half of the region'e combined current account deficit, excluding Brazil. Many forecasts suggest the deficit will now rise to \$27bn this year, 8 per cent of GDP.

VEN though this is mainly the result of pri-vate sector activity, this does not mean it is of no concern to the government - "in practice, large private sector current account deficits can have important and, frequently, adverse implications for the public sector," says Mr Paul Luke of the British investment hank, Morgan Grenfell. According to the Organisation for Economic Co-operation and Development, which published a generally optimistic report on Mexico last year: "It could once again become difficult to finance a current account deficit, which as a percentage of GDP is close to GDP growth." Continued current account deficits at current levels implied rises in the ratio of foreign liabilitles to GDP "in excess of anything observed histori-

More accurately, the ques-tion is not whether the deficit can be financed - because after the fact a country's current account deficit will always equal inflows of capital adjusted for changes in reserves. The question is at what level of interest rates and therefore of economic growth will the equilibrium between capital inflows and current account deficit be reached. The big current account defi-

cits highlight another issue:

exports are not rising quick enough for some people's lik-"The model is one of export-led growth; the problem is that in most countries exports have yet to take off says Victor Bulmer-Thomas head of the institute for Latin American Studies at the University of London.

A scale per capil pr capil

This underlines that Latin America's return to growth has so far mostly arisen directly from the lifting of the constraint on access to foreign exchange. This first stage of growth arises because capital inflows allow an economy to spend more than it produces. The importance of this should not be minimised - it has a valuable role in boosting confidence and kick-starting the economy. "The value of this initial positive effect should not be underestimated, especially in a region emerging from a "lost decade" in terms of growth and development," says Stephany Griffith-Jones of Sussex University's Institute of Development Studies in a recent book. It is however a temporary phenomenon.

The aecond - more long-standing - baneficial effect on growth of capital inflows depends on the extent to which they finance growth in productive capacity. In the 1970s debt splurge, we now know that capital inflows gen-erated insufficient new productive capacity to provide the future income that was necessary to finance the loans. Now the crucial second stage of growth depends on to what extent the inflows are directed to investment and how productive it is.

If enough efficient investment takes place and output rises sufficiently, it is more likely that future debt servicing will be financeable without problems. In Mexico, some capital inflows are financing new factories and machinery for foreign and domestic investors. But the Mexican statistics with their broad definition of intermediate goods - do not really permit a judgement of the extent to which the flows are financing consumption or investment. Moreover, some inflows which might be unequivocally defined as investment are going into construction and real estate projects, which may only obliquely, if at all, help to provide foreign currency income streams to service the financings. Mexico, for example, has been borrowing in dollars to finance toll-road construction.

MUSTRIAL I

Grupo Financiero Serfin of Mexico is pleased to announce that on January 1, 1993, its wholly owned subsidiary, OBSA International, Inc., changed its name to Serfin Securities, Inc.

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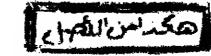
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### A scale of desirability for capital flows

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CAPITAL is flowing back into Latin America, but not all capital flows are created equal.
"Some types of flows seem
more desirable than others," says Stephany Griffiths Jones,

of Sussex University's Institute

Bottom of this scale of desirability, from the recipient economy point of view, is speculative short-term capital. Of this, perhaps the most risky inflows are those resulting from foreign currency borrowing by domestic companies to lodge money in money markets at home. At the top of the scale, it is generally agreed, is foreign direct investment aimed at enlarging productive

For comfort's sake, too high a proportion of the inflows into Latin America over the past few years is "hot money" money attempting to capture profit from interest differentials or foreign exchange mar-ket inefficiencies, and which is likely to be withdrawn as soon as the perceived risk associated with the investment

JP Morgan, the New York bank, estimated late last year that Treasury bills, local currency deposits and other short-term funding account for between one-third and one-half of Mexico's capital inflows.

Arbitrage borrowings by Latin American companies in dollars may also be storing up problems for the future the British investment bank Morgan Grenfell estimates that 60 per cent of Argentine corporate debt is in US dollars; much of that is clearly invested in the Argentine money markets.

The reason why the depen-dence on short-term capital is such a critical issue for Mexico and Argentina hangs on their exchange rate policies. Both are using exchange rate policy as a tool in the battle against inflation, leading to an appre- simple lifting of capital conciation in the real value of trols across the region, which their currencies against the

Argentina fixed its currency to the dollar in April 1991. capital is also obviously linked Mexico, which until October with drugs trafficking, was pursuing a daily slide of although this is more importhe peso amounting to a 23 per tant in some countries than in

cent nominal devaluation a year, is now allowing the currency to float within a target band that would permit a maximum depreciation of twice

The problem is that so much of the short-term inflows depend on an elusive commodity: confidence. If the view ows that a big devaluation is in the offing then short-term capital will not hang around to wait and see. The impact on international financial market confidence could be such that no politically sustainable level of interest rates will be enough to tempt it back.

This possibility can be cush-ioned by the now significant reserves, and in the early part of this year short-term capital inflows appeared to be holding up relatively well - albeit, in Mexico, at the cost of higher interest rates. Nonetheless the risk remains of over-dependence on this type of capital.

indeed a slowing down of. inflows may occur because of events completely external to the region. Some short-term inflows have certainly been encouraged by recent mush-ally low US interest rates and the low returns on investments generally in the US and other

N Mexico's case much depends on the passage of the North American Free Trade Agreement through the legislatures of Mexico, Canada and the US. The biggest ques-tion here is the attitude of the US Congress to the accord and signs, one way or the other, about the attitudes of US legislators - are already having a significant impact on capital flows. Sensitive to these concerns are domestic residents bringing home flight capital, salted away in the 1970s and 1980s. This group, until a couple of years ago, accounted for, according to some estimates, half of the region's private capital inflows.

The InterAmerican Develop ment Bank has estimated that more recently almost a quarter of the funds flowing into Mexico have been controlled by Mexican investors.

The trigger for the return of much of this money was the gave residents comfort that they could take their money out of the country. Some flight



Hegal drugs seized for burning by Colombian troops

others. Drugs money responds to the concerns of all investors for example, low returns in established markets - as well as to special concerns such as the clampdown on money-laundering in the US and other banking centres following the BCCI scandal.

All told, however, the influence of returning flight capital on overall flows has probably failen in the past two years as more foreigners have begun to invest. Latin Americans are not, of course, simply parking money on deposit in banks or short-term government paper. They have also repatriated capital as portfolio investors in the region's stock markets and as important buyers of Eurobonds from Latin American issuers.

Portfolio flows

### One step up the ladder

PORTFOLIO investment in stocks and - are widely considered to be one step up the ladder of

Much of this investment goes into the stock market and into bidding up the price of existing assets, but there is an element of new investment, to the extent that these higher market levels allow for new issues of equity and debt.
All developing countries have seen a dramatic increase

in portfolio investment flows, which trebled to \$21hn in 1991 over the level of 1989, and were projected at around \$27bn for 1992. Total volume of portfolio flows now exceeds net flows of official finance to developing countries, reflecting what is arly the growing dominance of the private sector in international finance. According to the World Bank, portfolio flows to Latin America multiplied fourfold from 1990 to 1992. Portfolio investors are not a homogeneous bunch - and neither can all portfolio investment be viewed as equal. Apart from rich Latin Americans, the

universe of portfolio investors

also includes aggressive specu-

lative investors such as the

so-called hedge funds, which helped to cause havoc in the European Monetary System last year, and conservative investment institutions dipplug a toe into more exotic markets in an attempt to improve returns.

Some of this investment is therefore quite transitory: some more permanent. The fact that sometimes relatively modest outflows from a stock market can precipitate steep price declines may limit the mobility of this capital. This is because some investors are unwilling to take large losses and prefer to hold on to await

a future price rally. Some traders in the bond and equity markets argue that, over time, the profile of the portfolio investors in Latin America has changed. The first wave of buying was

by investors who believed the

price of assets in the region had simply fallen too far. this was speculative capital centred on trading desks, and to some extent hedge funds and wealthy individuals. It was encouraged by the settlement in Mexico of a debt reduction agreement which, along with low US interest rates: has taken the debt question off the list of prime investor concerns Since then, into the bood market have moved buyers attracted hy high absolute yields - preferably in double digits - seeking an improvement in credit. This group are important buyers of Eurohends. Many do not look very

carefully at bond prospectuses

 and they include individuals and mutual funds focusing on emerging markets

This group of investors -looking only at absolute yields and not worried about the more subtle aspects of credit quality - had a role in temporarily and unsustainably com-pressing yield spreads towards the middle of last year, between borrowers of very different calibre.

HE other culprit was over-aggressive bidding by bond underwriters for bond mandates: this left huge amounts of Latin American paper on the books of underwriters late last year, and effectively closed the new-issue market for several months. The backlog was only cleared this year by the rally in US interest rates, which lifted the prices of all dollar-denominated bonds. With US interest rates at current levels. It is unlikely that underwriters will be able to rely on interest rate falls to bail them out a second

ket traders say Latin bonds are moving into another stage of evolution: sophisticated hut often conservative institutional investors are said to be moving in. If indeed this is happening - and it should be facilitated by changes in the last couple of years in US securities regulation, which have helped to reduce some of the more onerous disclosure and prospectus requirements for issuers selling securities to institutional

time.

investors - then the market in Latin American bonds will be moving towards a more impor-

tant maturity.

These institutions are careful asset allocators, which use modern portfolio theory, buy-ing bonds and equities essentially to diversify risk. They are interested in good credit quality and liquidity, and focus on the spreads or margins over US Treasury bili rates. They vill seek diversification benefits: examining, for example, correlations between, say, US and Mexican government

The justification for portfolio diversification by investment institutions is stronger in the case of equities than it is for bonds. Dollar bonds, issued by whomever, tend to track the US bonds market; while, for non-dollar bonds, the perceived exchange rate risk against the dollar is to some extent built into the yield differentials dollar bond market.

For equity investors, this is not the case, and there has been a gradually expanding interest in the region's stock markets from institutions. For the most part. Latin American stock markets are followed by the emerging-markets group within investment institutions, which controls a small but generally growing percentage of the overall portfolio.

In the UK, there has perhaps been a longer tradition of investment than in the US in what we now call emerging markets. But the traditional

emerging markets for UK investors have been in the countries of the Common-wealth, and only recently has interest arisen in Latin America. Far more important for Latin America is the attitude of US institutions, some of which already treat certain Mexican stocks as part of their North American, rather than their emerging markets, portfo-

The potential supply of capital flows from this source to the region is immense, even if only a tiny percentage of the institutions' portfolios are devoted to the region. In the US alone, institutional investors hold more than \$6,000bn of investable funds. Indeed, if these investors decide to follow their portfolio theory, the optimal level of Latin American investment in a portfolio is considerably above their actual levels, leaving much scope for

There are many ways in which countries can improve the friendliness of their markets to such investors: improv-ing and enforcing regulation, improving the quality of corporate disclosure, improving market liquidity and the like.

Governments can issue bonds in the international markets across the maturity spectrum to provide benchmarks for other issuers from that country, a tsctic followed by Mexico.

They can also act to reduce the likelihood of disorderly borrowing abroad – of which Turn to next page

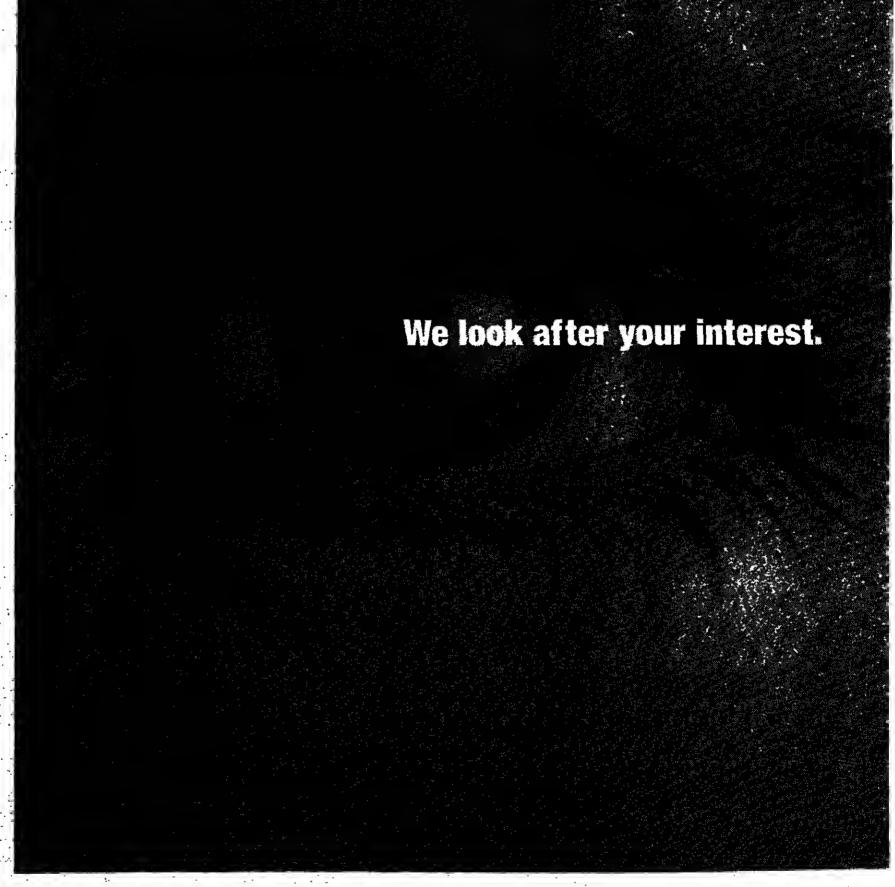
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### **Portfolio** flows

Cootinued from previous page: there were several examples in 1992. Although it may go against the grain of liberalisatioo of financial markets, some bankers and academics believe governments should impose a queueing system on fund raisings in the international bond and equity markets, such as that operated until receotly by the Bank of Eogland.

This is because a mispriced or badly-timed issue by one fundraiser - there were several examples of these last year can all too easily affect market psychology and prevent others from having access to the markets. It is also argued that some kind of quality control is worth consideriog on would-be suers. This is important in the international bond market, where no Latin bond issue has defaulted in receot years - a record which, sooner or later, probably will fall, with potentially disruptive affects for other borrowers.

In the shorter term, there is concern about the relatively poor performance and volatility of both Latin bond and stock markets in 1992. Salomoo Brothers' index of Brady bonds sbowed a total return of 4.6 per cent for 1992. Stock market iovestors also had a much more difficult year in 1992 then they did io 1991. Double-digit gains were observed only in Peru, Mexico and Colombia, and in both Mexican and Peruvian markets there was extraordioary volatility. This was after a year in which there were gains above 100 per cent

in Argentina, Brazil, Colombia. Mexico and Peru. Chile rose by 90 per ceot, while Venezuela "disappointing" 34 per

Although not usually classed as portfolio capital, there is another potential source of private capital that bas been largely forgotten io recent years: the commercial banks.

If ioternational banks are to become a more important source of finance for the region during the 1990s, the growth will be gradual. Not only will the experience of the 1970s make them cautious for some time to come; but, more important, it will also take time for banking regulators throughout the world to reduce the mandated provisions that banks have to make against loans to

developing countries. There is, however, scope for project investment - particu-larly where loans can be repaid through receivebles arising from cross-border commerce and support for companies planning direct investment: at the moment, most favoured source of foreign capital.

> Foreign direct investment

### Impact is significant

WHILE portfolio flows to all developing countries stagnated somewhat last year, the importance of foreign direct investment continued to grow.

According to the Organisatioo for Economic Co-operation

BECAUSE WE BELIEVE IN ECUADOR

and Development, international direct investment accounted for less than 20 per cent of total private capital flows to developing countries at the beginning of the 1980s. By 1987-89, this had risen to 60 per cent, in part because bank leoding had dried up.

Io Latin America, FDI is already having a significant impact on the region's balance of payments. While in 1988 it was equal to less than a third of the region's oet transfers abroad oo debt, estimates for 1992 show FDI almost equal to net transfers. Direct investment accounted for 65 per cent of Chile's capital inflows to 1991, and 35 per cent of Mexico's.

There is no doubt that contributory factors behind this increasing Inflow bave stemmed from within the region: the improved macroeconomic performance, more welcoming regulatory regimes, the decline in Latin America's economic nationalism and its privatisation programmes.

The development bas also come against the background of an extraordinary boom in cross-border investment that continued throughout the 1980s, but which appears to have slowed down in the early 1990s as, one by one, the main industrial economies have In the 1980s, according to the

OECD, the total stock of FDI boomed globally from about \$500bn in 1980 to \$1,500bn today. Worldwide flow of FDI grew in the 1980s at an unprecedented average rate of about 29 per cent, reaching close to \$200bn in 1990.

This growth rate was five times that of world exports and

10 times world output. Such rapid growth meant that the percentage of FDI going to developing countries fell markedly in the 1980s, even as io absolute terms the

amount rose. The proportion going to developing countries declined from 20 per cent in 1980-84 to just over 10 per cent in 1985-89; Latin America's share of the total dropped from 7.4 to 3 per ceot of global inflows and that of Africa from 2.5 to 0.6 per

In the years 1985-90, when overall cross-border direct investment in industrialised countries was growing at around 30 per cent a year, FDI loto Latin America was expanding at a more modest rate of 11 per cent.

CCORDING to the figures, global FDI peaked in 1989 and fell in 1990 a development in part related to the end of the debt-financed cross-border mergers and acquisitions boom in industrialised economies in the late 1980s. The OECD figures unfortunately stop in 1990 and therefore it is difficult to be more exact about developments since then.

However, there can be little doubt that overall cross-border FDI fell sharply in 1991 and 1992. Meanwhile, figures from the World Bank suggest continuing growth in FDI to all developing countries and into Latin America in 1991 and 1992. Indeed, 1989 appears to have marked a low point for the relative share that Latin America took in total FDI and in FDI to developing countries.

Thus it seems that the growth of foreign direct invest-

meot in the regioo is more than a function of the FDl boom of the 1980s. In some senses, this continued growth in developing countries may in part be a reaction to that boom: most acquisitions within the industrialised world during the 1980s are already considered to have been overpriced

In part, aggressive privatisation - which can happen only once - has swollen the figures Balancing this though debt-forequity swap programmes with subsidies for non-privatisation investments have been largely abandooed or have become irrelevant (as the secondary market prices of its debt rose close to face value) in the case of Chile.

According to Ms DeAnne Julius, chief economist of the Royal Dutch/Shell Group Latin America, the increased FDI flows to developing countries may be more than a short-term phenomenon. She calculates that FDI to developing countries could grow from \$30bn in 1990 to \$80bn (in 1990 dollars) in 2000, representing 30 per cent of world flows against 17 per cent in 1990. Latin America, she notes, overtook east Asia as an FDI destination in

The continued rise of FDI into Latin America is important too because it demonstrates that Latin America may have less to fear from eastern Europe than most of its governments thought per-haps two or three years ago.

### Voices of dissent

ECONOMISTS, however, do not make foreign investment decisions. Producers do. And some producers are sceptical that the course now adopted in the region - the economic strategy praised so widely will necessary yield the expected investment.

The Latin American head of one multinational holds a view of economic policies in Brazil and Argeotina - two countries in which it has had long-standing operations - which is diametrically opposed to the conventional economic wisdoms.

He sees policy in Argentina. where his company is losing money, as disastrously damaging the country's economic structure: low tariffs and a high exchange rate have made imports cheap and forced him cut prices. Meanwhile, because domestic inflation is slow to come down, his domestic costs structure is rising and his company is caught in a

vice. wonderful place to export products to, but as an awful place in which to establish a factory. On the other hand, he is enthusiastic about Brazil, where his company is making significant profits but which economists view almost as an economic disaster zone.

Another large multinational, this time from the US, is cited as planning to invest heavily in Latin America - In one country: Brazil. This is because Brazil is the higgest home market and can be used as a base for the rest of Latin America. If the factories were to be established outside Brazil, the company believes it would find it almost impossible to sell into the largest domestic market.

Economists would argue that, while it is not unusual for producers to seek to extract benefits from import substitution, the policies that producers tend to favour tend to prop up inefficient industry. These policies have harmed Latin

America in the past. Furthermore, the whole point of opening the economy is to create more efficient industries where the country has a comparative advantage and to close down uncompetitive plant. Thus, under the North American Free Trade Agreement hetween Canada,

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the US and Mexico, capital-intensive productioo could be expected to conceotrate in the US; and labour-intensive pro-duction in Mexico, where it is cheaper.

### Influences on foreign direct investors

THE EXTENT of future development of regional free trade areas will have a significant impact on longer-term direct investment trends. Ratification of Nafta - due this year to go before the legislatures of the three countries would provide an important

The huge direct investment into Europe in the 1980s ahead of the creation of the single market strongly suggests that companies are driven to invest not only hy fears of future trade barriera hot also hy expectations of improved growth opportunities

According to the International Finance Corporation, the private sector arm of the World Bank, market size is one of the most important considerations in making investment location decisions, while prospects for market growth are also particularly important. Larger home" markets mean bigger local sales, which are usually more profitable than exports. Larger markets offer more diverse resources to make local sourcing more feasible.

According to the IFC, relative costs continue to play an important role in influencing decisions on the location of foretgn direct investment. But some factors are now less Important, in part because direct labour costs in many industries now account for



bly work in Mexico. Component supply links between arries are important factors in attracting foreign investment

only 10-15 per cent of manufacturing costs.

To encourage direct invest-ment, many Latin American governments may be tempted to offer subsidies. A more sensible response would be further reforms, for example of the labour market Social security and other systems act in many countries as a payroll tax and sharply raise the costs of employing labour while often providing marginal benefits to employees

With the rising cost of white-collar workers, there is an important attractloo if countries offer a pool of well-educated labour. Many Latin American economies are wellequipped to offer such labour, although there is often insufficient skilled labour. There is thus a gap between the highly educated and the unskilled workers, which can be filled only by improvements in education systems that have deteriorated over the last decade.

A country's legal system is also critically important. For foreign investors - as well as for ordinary citizens - the

legal systems of the region leave much to be desired. Investora are conscious that while Latin America's judicial processes may be more developed than those of east Europe, they are still often arbitrary and prone to corruption. The dictum of the Mexican president Benito Juarez still often applies: "To my enemies the law; to my friends everything.

Perceived country risk aiso continues to be important to investors, but it is obviously less so in some industries where, for example, returns are high or where operations can be terminated rapidly without undue cost, such as garment assembly. The advertised fast payback period is presumably why some investors are willing to consider tourist developments in Cuba, where the risk of political upheaval is hardly

Potential investors also look at the level of existing foreign investment for assurance and at the possibility of synergies developing as foreign firms become one another's suppli-Continued on facing page:

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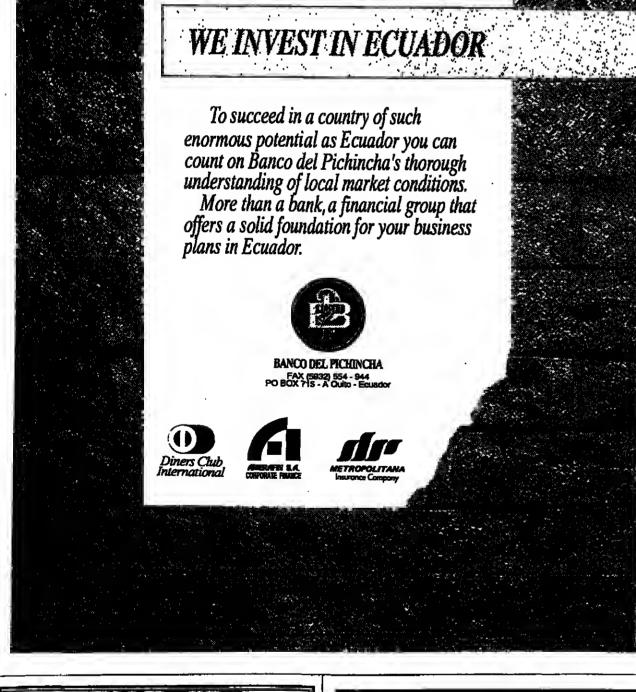
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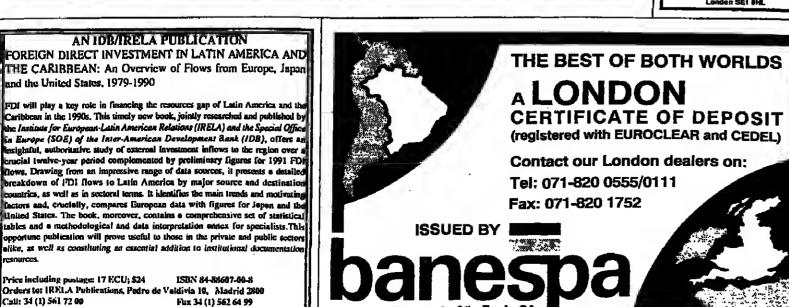
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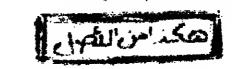
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THE REPUBLIC OF CHINA

Continued from facing page:

ers. Such a development is already in evidence in the Mexican car industry.

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The quality of infrastructure is an important determinant of the attraction of foreign direct investment. This underlines again - as in education - the importance of an appropriate public investment policy as an essential element in the encouragement of private investment.

FOI prospects depend also on what is happening in a compa-ny's traditional markets. Just as portfolio investors started looking at emerging markets when returns at home dropped. so corporate investors have stretched ont to developing countries in an attempt to raise their returns on capital.

Some companies facing mature markets at home where they have to battle expensively with competitors for fractions of a percentage point in market share are increasingly looking for a foothold in fast-growing developing country markets. One illustration of this mature market phenomenon suggests it costs 10 times more to attract one new visitor to Disneyland than it did a

decade or so ago.

Typical of these companies are those in what are now called fast-moving consumer goods. One such company is Nestle, which first entered Latin America in 1876, selling to Brazil. It established its first sales office in Rio de Janeiro in 1914, with a factory in 1921. Today it has 70 plants and 30 000 people in Latin America. providing 11 per cent of Nestle turnover. The region's share of the volume of production is higher than that, however,

Partly because of the general lifting of price controls, Nestla After a "lost decade", the company's sales in Argentina have trebled in a year. It expects profit margins to recover faster than sales, but investments will also be higher; its plans call for \$2bn of investment in

Buenos Aires gas distribution

company - shows. Service industries - hotels

and financial services, for

example - have also attracted

foreign investment. Services

have grown considerably in

importance in worldwide FDL they represented a quarter of

FDI stock at the end of the

1970s, but by the end of the

1980s, they represented half of the FDI stock and 55-60 per

Yet, from the Latin Ameri-

can perspective, both service

industries and utilities are

areas where competition from

foreign tradeable goods is lim-

ited - because there is no sig-

nificant competition with

imports. Moreover, privatisa-

tion encourages capital

inflows, but it is a one-off phe-

at the attraction of FDI in

Latin America industry by

industry. Chocolate, tooth-

paste, water, hotels and bank-

ing are important sectors, but

it is still hard to see how direct

investment in these areas is

going to yield increased

exports. And on this, the suc-

cess of the model in large part

But there is one area where

foreign direct investors regu-

larly mention Latin America's

comparative advantage: its

wealth of natural resources.

From the FDI perspective, the freedom that the Chilean gov-

ernment has given to foreign

investors in exploiting its natu-

ral resources has been an

important element of Chile's

success in attracting invest-

ment. Yet many countries -

including the region's two larg-

est economies, Mexico and Bra-

zīl - have laws which substan-

tially forbid foreign investment in the mining and oil sectors. Foreign raw material exploi-

tation will not provide the

answer to the region's prob-

lems of development. But

There is thus a need to look

nomenon

cent of all new flows.

the region during the 1990s. Unilever, the Angio-Dutch household goods group, is looking favourably at Latin America and the Pacific and their sometimes "phenomenal" growth rates, contrasting them with the position in the US and Japan where the challenge is "the laborious winning of market share". In many developing countries, a small rise in GDP is enough to bring many new

people into markets. Pepsico said this month that would invest about \$750m over the next five years on its bottling operations, extending its distribution network and marketing its products more aggressively in Mexico.

OLGATE-PALMOLIVE is another company that has seen steady growth in its Latin American operations since 1985. Now the company is considering acquisitions in several countries, some of which would be sizeable. It is interested in extending joint ventures, such as that with Clorox in Mexico to manufacture bleach. It invested \$50m in the region last year, in 1993 the figure could be signifi-cantly higher.

. If they want to expand in Latin: America, companies such as Colgate-Palmolive are likely to establish production facilities there rather than export: the reason is that the low value to weight ratio of its products makes it expensive to transport them.

There are other areas where the region appears attractive to foreign investors, as the interbecause controls have kept prices down. est in the privatisation of Argentine utilities - including British Gas's investment in the is positive about the region.

capital flows to the region dur-ing a potentially difficult tran-sitional period when much domestic industrial capacity that depended on import sub-stitution for survival is closed

allowing it could well increase

in fact, the main benefit of FDI over time will lie more in the transfer of technology than in medium-term balance of payments financing. It fosters industrial development and the creation of human capital, and provides access to scarce techology, marketing links and management know-how. Over a period of time, suc-

cessful FOI entails a stream of service payments which will reduce the transfers of resources. US Commerce Department statistics ehow that in 1991 income from US direct investment in Mexico was \$2.3bn, which exceeded new direct investment from the US in that year.

From 1965 to 1986, net transfers on FDI (that is new investment minus remitted profits) to all developing countries were either negative or only marginally positive. The current popularity of FDI in the region may therefore wane as remittances start adversely to affect the balance of payments.

In conclusion . . .

### A positive but highly uncertain outlook

LATIN AMERICA'S new capital inflows have undoubtedly to be seen in part in the context of important changes in capital movements at a global level - the growing integration of capital markets across borders, institutions and financial market sectors. Traditional markets have matured. Businesses have become international in perspective, looking beyond their national borders for new prodncts, customers and inputs. Improved transport and communications have facilitated this as has technological change and innovation.

Such changes suggest that, provided an open world trading system remains in place, long-term external structural reasons exist for continued

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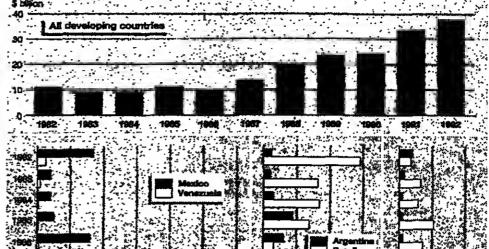
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Main destinations of direct investi



Chile

flows of capital to Latin Amer-

Much still depends on a continuation of the developments in the region in the last five years: in particular, the better economic management and greater political stability. This will in turn hang on the results of the coming round of presi-dential elections in Latin in some countries, these elec-

tions will be taking place in a transitional period: the initial glow from renewed capital inflows will have worn off, the shrinking of industry brought about by economic and trade reform will start to bite and the longer-term benefits of investment will have yet to become apparent.

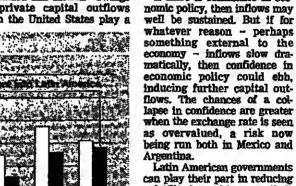
Indeed, economic forecasts suggest slower growth for 1993. Widening trade deficits seem set to act as a drag on economies, as will interest rates set higher either to support a weak currency or to tackle high wage demands

There will thus be the temp tation to abandon the fight against inflation in a bid to restart growth. The World Bank points out that in a

not try them. in part, longer-term pros-pects will be determined by bow investors fare in Latin America in these transitional

global marketplace there is a sharply-reduced tolerance for poor policies; yet this does not mean that governments will

years. They also depend on investor behaviour in a US economic recovery and as US interest rates start to rise. According to the International Monetary Fund, in a etudy published this month: "Swings in private capital outflows from the United States play a



Latin American governments can play their part in reducing volatility by making sure their economic policy "fundamentals" are strong. But they are not masters of their own destinies, by any means.

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clower growth this year

foreign debt.

key role as external impulses that affect the size of capital

inflows into Latin America."

Furthermore, despite the

Brady settlements, some gov-

ernments remain vulnerable to

interest rate increases on their

Foreign capital has been lik-

ened to an umbrella that opens

in the sunshine and closes in

the storm: it flows abundantly

only when least needed. This

underlines the importance of

efforts under way to enhance

domestic savings to reduce the

reliance on foreign capital. For

example, the pension fund

reforms proposed in Argentina

might add 2-3 percentage

points to the domestic savings

rate. However, increasing domestic savings is not some-

thing that can be achieved

overnight and dependence on

external savings seems likely

to continue in most countries for some time. And even

though there are many reasons

why substantial capital inflows

should continue through the

1990s, that is not to say that these will occur. There may

well be significant year-to-year

volatility in capital flows, and

If there is confidence in eco-

therein lies the rub.

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GRUPO FINANCIERO SERFIN INVESTMENT BANKING

November 1992

\$110,000,000 Grupo Embotellador de México, S.A. de C.V. Eurobonds

\$108,750,000

**Emerging Markets** 

Telecommunications

\$488,750,000

Controladora, S.A.

Mexican equity offering, Co-Lead Manager

U.S. ADR offering, Syndicate Member

**Empresas ICA Sociedad** 

June 1992

Fund, Ltd.

April 1992

de C.V.

March 1992

Registered Fund Selected Dealer

Co-Lead Manager

\$75,000,000 Transportación Maritima Mexicana, S.A. de C.V.

Co-Manager

Stepped-up Coupon Puttable Notes

Jane 1992

\$100,000,000 Aerovías de México, S.A. de C.V. Euro-Notes

Co-Manager

\$100,000,000 Uniao de Bancos Brasileiros, S.A. Euro-Notes Co-Manager

January 1992 Ps 179,360,000,000 \$300,000,000 Grupo Cementos de Petróleo Brasileiro Chilmahua, S.A. de C.V. Mexican equity offering, Lead Marriger Euro-Notes U.S. offering International Placement Agent

Co-Manager

April 1992 \$69,000,000 The Brazil Equity Fund

> Common Shares Co-Manager

January 1992

\$50,000,000 Banco Bradesco S.A.

**Euro-Notes** Co-Manager

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Tracy Corrigan looks at the markets in Latin debt

# Lines are blurring

■HE NATURE of the Latin American debt market is changing rapidly, as an increasingly broad range of investors enters the market.

As this process advances. there has been a blurring of the strict delineation between Latin American country loans traded in the secondary market and new issues launched in the Eurobond market by both sovereign and corporate Latin American borrowers.

In the wake of the deht crisis, when many Latin American countries defaulted on their bank loans, the secondary market in their debt grew up as a result of trading by banks, largely creditor banks trying to lay off or manage

When Latin American sovereign and corporate borrowers returned to the Eurobond market a few years ago, these highyielding bonds were initially bought largely by retail luvestors in Europe or by Latin American nationals (in the form of so-called flight capital). But the region's recent

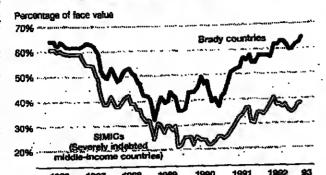
record of strong growth and economic reforms bas attracted new investors and a growing number of specialist funds. In fact, the market in secondary bank loans bas now been virtually replaced by a market in Brady bonds, the restructured bank debt created under the Brady debt reduc-

Venezuela and Mexico have already implemented their Brady plans, and Argentina is poised to issue its Brady bonds.

Meanwhile, trading in Brazillan debt has stopped, ahead of the implementation of the Brady package there, which was agreed with Brazil's bank advisory committee last July, but has been disappointingly slow to come to fruition.

The conclusion of the package has been delayed by the need to get an International Monetary Fund agreement in place prior to the Brady plan. The IMF agreement in turn requires a new package of measures by the government

which have, in turn, been delayed by political problems. Meanwhile, trading in Brazilian bank debt has come to a standstill, because banks have already tendered for bonds under the Brady plan. Instead. trading is conceotrated in IDU of interest payments) and in when-and-if-Issued (WIFI) Secondary market prices



Brady bonds, Mexican par bonds have performed well, holding their spread relative to the US Treasury market until market rally. However, the market in Venezuelan par and conversion bonds has been much more difficult - "there is a permanent political crisis: as a result, the fiscal deficit and current account deficits are mounting," says Mr Paul Luke, head of developing country

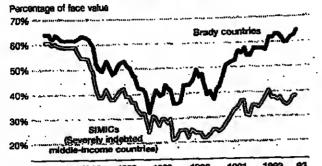
research at Morgen Grenfell. The price of the par bonds slumped a point to 56% in a week, despite the strong rally in the US market.

Meanwhile, the spread of investors in Latin American Eurobonds continues to increase, with even mainstream institutional investors beginning to dip their toes into the market, by buying Latin American securities as a small part of large and diversified

N appetite for extra yield, at a time when low interest rates are squeezing returns, has encouraged more investors to look at Latin American bonds. Although the market has been volatile, there has been, overall, a steady tightening of yield spreads relative to the US Treasury market in recent years, as the creditworthiness of Latin American borrowers

But the market suffered a setback at the end of last year, when oversupply caused yield margins to widen substantially. However, those wider margins, reviewed at the start of the year, started to attract

investors back to the market. As well as the broader range f investors, smaller Latin American countries are now returning to the market. Also, the market is now open to



more Latin American compa nies, though investors remain nervous of weaker credits. Colombia, which has never rescheduled its debt, will make its debut in early April, via Bankers Trust, with a \$100m issue of five or seven-year Eurobonds, which is expected

to attract strong demand. Meanwhile, Uruguay, which completed its first Eurobond last year, is to return to the market with a five-year deal, arranged by Chase Investment Bank. Some bankers believe that Peru - or a governmenttap the market this year, after having implemented a number of economic reforms last year. Ecuador is also cited as a

potential new borrower. However, hankers have come increasingly frustrated in their efforts to bring Chilean borrowers to the market. The government has clamped down on foreign borrowing, barring banks from tapping the market and restricting all but a few

Every time you get a mandate, the Chilean authorities change the rules - in effect, blocking the market," complains one banker.

Chile has an active domestic market, where funding of up to 20 years is available, but the amounts are small. in addition, banks are keen to raise dollars in the international market to on-lend to companies for their export busines

Borrowers are also beginning to tap markets other than the dollar market. Venezuela is said to be planning a DM350-400m issue of five-year bonds via Commerzbank (having just issued three-year dollar bonds in the domestic Colombian can oil company, recently tapped the Swiss franc bond

Richard Lapper shows how pension funds can help promote local capital markets

# Tough testing ground for reform

of a far-reaching reform of Argentine pensions law is making life easier for Mr James Riley and Mr John Williams, who both work with UKhased merchant bank, Kleinwort Benson.

The two men have spent the last six months advising the Argentine government on the privatisation of the stateowned bank and insurance company, the Caja Nacional de Ahorro y Seguro.

The pension fund reform will ead to the rapid development of the private pensions and life insurance market, boosting both local and overseas inter-est in the Caja, which will expect to have a sizeable slice of the action.

That should improve the price the Argentine government should get for the sale -estimated by Mr Williams at between \$60m and \$100m - and provide a useful boost to the Latin American activities of Kleinwort and Coopers and Lybrand, the accountancy and management firm that is also involved.

"One of the key selling points of the Caja is its ability take advantage of the reform. It should help all round," says Mr Williams, who expects the privatisation to go ahead in the Spring.

But much broader interests hinges on the successful approval and implementation of a private funded pensions system in Argentina. At a time when virtually every Latin American government is considering the replacement of increasingly unwieldy "saveas-you-go" pensions schemes -in which pensions are paid out of current taxation and social security revenues - success in Argentina would be a huge fillip for the continent's pensions

embryonic industry. Local and foreign investors have been encouraged by the progress in Chile, where the pension system was privatised

social and political context offered by Argentina is likely to be a tougher testing ground for the idea that the development of private pension funds can contribute towards the successful modernisation and liberalisation of the continent's

slon fund reform bas been bogely influential among the

pay-as-you-go system in 1981. with a law that obliged workers to contribute 10 per cent of their wages to private funds. Already over a dozen pension fund administration companies or administradores de fondos de pensiones (AFPs) have built up

\$12.5bp in funds. These developments have

Much hinges on the approval of a privately funded pensions system în Argentina

been among a number designed to strengthen the

The Santiago stock market, boosted by new issues stemming from an amhitious privatisation programme, has been given stability by the AFPs, who can invest up to 30 per cent of their assets in stocks. and have begun to function as institutional investors, owning about 10 per cent of the market's \$30bn capitalisation.

The AFPs are also at the cen-tre of the development of the only long-term debt market in Latin America, in 1989, Chile developed strong enough credit ratings to be able to sell bonds

businessmen. Chile replaced its to the AFPs. Since then they have sold more than \$5bn in bonds with maturities up to 27

> Last year Chile's AFPs enjoyed a 48 per cent return on their assets, tempting three European groups Banco Santander of Spain. Union des Assurances de Paris and Les Mutuelles du Mans Assurance of France to invest in the sector alongside US groups such as Bankers Trust, Aetna and American Insurance Group.

Talk of the Chilean experience dominated a recent conference on pension fund reform in San Diego, California. Mr Rudolf van der Bijl, an official with the international Finance Corporation, a World Bank subsidiary which promotes private sector development, told the conference: "The demand for marketable securities generated by the accumulation of long-term savings in the hands of funded pension plans can provide a strong boost to emerging markets.

Mexico, Peru and Argentina are presently drafting legislation to replace or complement their state systems with private retirement schemes other countries may soon follow suit. Mexico has set up a new system that will co-exist with its

existing social security system. The Argentine system will differ in some respects - banks and insurance companies will be allowed to own pension fund companies for example and the government-owned Banco de la Nacion will compete with privately owned pen-

sion fund managers with its own facility. The success of Chile's pension fund reform has strongly influenced the

continent's politicians

But, in other respects, Argentina's model mirrors developments on the other side of the Andes. Argentine workers are likely to be forced to contribute 11 per cent of their salaries to pension funds of their choice. The stakes are high. If successful, Argentine pension fund managers could be managing \$3.5bn within a year and up to \$40bn within a decade, providing a valuable source of capital for the local stock market.

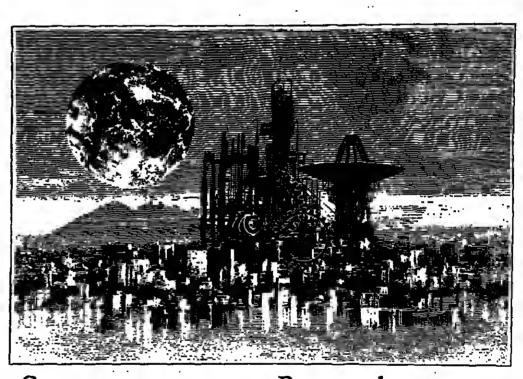
However, the transition could well be painful, partially because Argentina's social security is both more developed and under much more

strain than those of its neighbours. The number of pension ers has roughly doubled compared to the number of workers making contributions, Employers contributions have been increased in response 40 per cent of payroll is paid in social security taxes.

Even so, heavy arrears amounting to some \$10bn have been accumulated and benefits have declined in real terms. leaving thousands of pension: ers on incomes well below the official poverty level Local newspapers have reported pub-lic suicides by distressed pen-

Advisers believe that the establishment of a fully funded scheme is the only way the problem can be tackled - "it is an absolutely crucial step to make," says Mr Riley. But the transition period will not be easy: he expects the mové towards a new aystem will worsen problems in the short term, as new contributions are funnelled into investment funds rather than towards

"In Chile, the system was introduced by an autocratic regime. The trick is to see whether it can be done in a democracy. It will be a real test



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